

NKOMAZI LOCAL MUNICIPALITY

2016/2017

ANNUAL REPORT

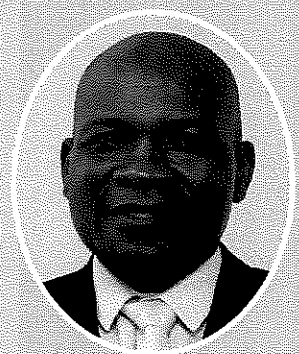


Nkomazi Municipality

NKOMAZI LOCAL MUNICIPALITY



Executive Mayor
Cllr TS Khoza
ANC



Speaker
Cllr MR Shongwe
ANC

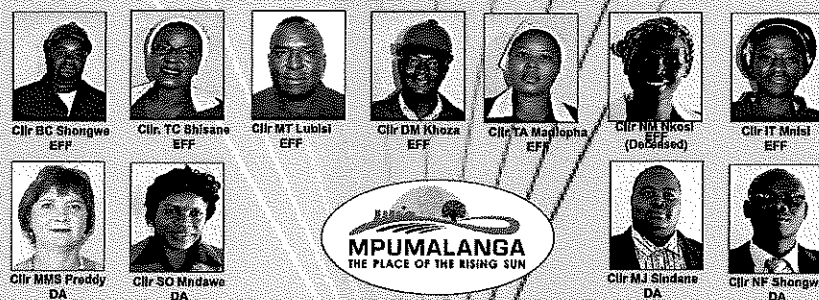


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TABLE OF ABBREVIATIONS

AGSA	AUDITOR GENERAL SOUTH AFRICA
APR	ANNUAL PERFORMANCE REPORT
CFO	CHIEF FINANCIAL OFFICER
CLLR	COUNCILLOR
CNL	COUNCIL
COGTA	COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS
DM	DISASTER MANAGEMENT
DORA	DIVISION OF REVENUE ACT
NLM	NKOMAZI LOCAL MUNICIPALITY
IDP	INTEGRATED DEVELOPMENT PLAN
DWS	DEPARTMENT OF WATER AND SANITATION
SDBIP	SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN
SCM	SUPPLY CHAIN MANAGEMENT

CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: EXECUTIVE MAYOR'S FOREWORD

It gives me pleasure to present the 2016-17 annual report of Nkomazi local municipality. This is my first annual report in my second term of the office as an Executive Mayor, it is with great humility and fulfilment to reflect on the 2016/17 financial year. I can confidently report that the year under review has been indeed another successful year for service delivery in Nkomazi Municipality. This report will detail our ongoing service delivery progress that we have continued to make for the benefit of all the citizens of Nkomazi. To support this argument the report will show that Nkomazi Municipality continues to be amongst the best performing municipalities on MIG spending and all infrastructure development projects.

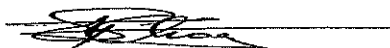
The 2016/17 financial year has been one of the years during which extraordinary change in service delivery was observed in Nkomazi. We have seen an unprecedented pace in the delivery of services against the insurmountable odds that we had to contend with. The Nkomazi Municipal council has worked hard during this period to ensure increased oversight on all outstanding matters and to ensure the conclusion of critical infrastructure projects. It was during the same period that we saw the acceleration of the implementation of the back-to-basics strategy that was set-up to realize significant improvements in the manner in which the local government machinery functions across the country.

We are glad in this regard that most of the projects that we initiated as part of our accelerated capital investments programme have reached finality and that some of our communities are already benefiting from these investments. We can mention in this particular regard the completion of the Mafambisa Bus Route, Durban Bus route, Nkanini bus route, Boschfontein bus route, Louwville water treatment plant, Block B (Nkanini) water reticulation (15km), Mandulo Bulk water supply, Mangweni Sanitation project, just to mention a few. We remain optimistic that the final touches on the outstanding projects will be concluded soon, to allow our communities to begin benefiting from those projects.

We can report further as it appears on our report that while council has been persistent in its efforts to engage sector partners for support in the drive for Job creation in Nkomazi. It will be indicated that the ongoing SEZ projects remains a pioneering project that we are advancing with the cooperation of sector partners and we believe that once concluded; it will benefit the majority of our people in Nkomazi through the provision of the required infrastructure, services, facilities, business and employment opportunities to meet the growing needs of our community. We are proud to report that the sustainable partnership on social development programmes such as sport, HIV/AIDS Programmes, culture and recreation have also received increased support from the municipality and we believe that they will continue to be a key component of our agenda to transform the community for the better.

The Umsebe Accord programme is another pioneering project that continues to find expression in our agenda to increase the South-to-South cooperation amongst the cities that are part of the protocol. We remain convinced that at this time in the history of Nkomazi Municipality we are rising to the challenge of creating a strong, supportive, planned and sustainable future for our people.

This report shows our commitment in action and we look forward to continuing to work with Nkomazi's strong and diverse communities to ensure that our residents have every opportunity to grow and develop to their highest potential.



Cllr. TS Khoza
Executive Mayor

COMPONENT B: EXECUTIVE SUMMARY

1.1. MUNICIPAL MANAGER'S STATEMENT

As an accounting officer, I have a pleasure in presenting the Annual Report of Nkomazi Local Municipality for the financial year which ended 30 June 2017. The report is presented in terms of Section 121 of the MFMA, Act No. 56 of 2003.

As we celebrate the twenty-three years of our hard earned democracy we are still pushing back the frontiers of poverty. It must be noted that the following remain our focus points; the fight against corruption, be more vigilant when it comes to issues of service delivery.

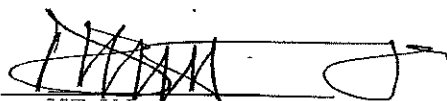
The 2016/2017 year also saw the end of the existing Council's era whereby new council will be continuing to ensure uninterrupted services and sustain stability, an era where Nkomazi Municipality has performed well in many instances and has also achieved quite a number prizes for outstanding services rendered. Thank you therefore for all of those Councillors of the 2016/2017 dispensation for the excellent work done.

Various key service delivery improvements achieved during the year under review confirmed the appropriateness of the strategic direction embarked on at the beginning of the term of office of the current leadership. These include, amongst others, the completion of a next level of progress made towards the implementation of a number of vital bulk sewerage, water reticulation, roads and electricity distribution projects, providing thousands of Nkomazi Local Municipality residents with improved basic services and setting the tone for steadfast economic growth.

The support we get from National and Provincial Spheres of government has enabled us to work in a more coordinated manner that allows delivering of services to be attained and speedily achieved. We need not forget that pockets of challenges remain our stumbling block. The year in question has seen the worst drought season whereby we had to come up with sustainable ways of water provision and thanks to Rand Water for the learner-ship programme that is focused in water yet increasing job opportunities for youth. The only challenge is that we are still trying to come-up with a sustainable way of billing all our residents through the proper implementation of the revenue enhancement strategy that is already in place.

Furthermore, we continue to partner with our sister municipalities under the auspices of UMSEBE ACCORD (Inter-municipal Multilateral Protocol between Matola City Council in Mozambique, Mbombela Local Municipality in RSA and Mbabane City Council in Swaziland) to learn the best practices and uplift our economy to fight against poverty and unemployment. The support we get from such partnership is vital to our business as a municipality.

The report as presented will shed light on what has been achieved, our shortfalls and challenges with solutions to address such. Working together we can do more to achieve our utmost goal *"A Better Life For All, Imphilo Lencono"*.



Mr MD Ngwenya
Municipal Manager

1.2. AUDIT COMMITTEE REPORT 2016/17

Audit committee members

The audit committee consists of the members listed hereunder. During the 2016/2017 year under review, 4 meetings were held.

Name of members	Portfolio	Number of meetings attended
Mrs. ZC Sibanda	Chairperson	4
Mr KV Mokoena	Member	4
Mr AF Nkosi	Member	3
Mr M Guman	Member	4
Mr M Secker	Member	3

Dates of meetings held:

- 26 August 2016 : Special Audit Committee Meeting
- 14 October 2016 : Ordinary Audit Committee Meeting
- 16 February 2017 : Ordinary Audit Committee Meeting
- 28 June 2017 : Ordinary Audit Committee Meeting

Audit Committee Responsibility

The Audit Committee report has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act (No 56 of 2003). The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the municipality revealed certain weaknesses, which were then raised with the municipality.

The following were areas of concern:

- The Internal Audit Reports presented to Audit Committee, the committee identified that there are control deficiencies; however, management has put in place processes to address those deficiencies;
- The slow implementation of management action to address the audit findings;
- Creditors' reconciliations were not prepared and reviewed on a monthly basis by management.
- Audit Committee has during the under review identified and raised with management IT governance structure (IT Steering Committee) and systems; and

- The reliability and integrity of quarterly performance information report.

Risk Management

Notable progress has been made with regard to risk management with the municipality having conducted risk assessments and produced a risk register for the municipality. The Audit Committee has however taken note of the management actions that have not been implemented and most of the risks were recurring for more than three years. Audit Committee will continue to monitor the effectiveness of risk management processes.

In-Year Management and Monthly/Quarterly Reports

Audit Committee continued to review the municipality's quarterly performance reports. Recommendations made to management by Audit Committee are followed up at subsequent Audit Committee meetings and subsequent reviews. The significant improvement in the completeness; accuracy and validity of reporting on performance information is appreciated, however there is still a room for improvement in certain areas in the compilation of the portfolio of evidence to substantiate the performance reporting.

Evaluation of Financial Statements and Annual Performance Report

- As at the time of this Audit Committee report, the draft annual financial statements for the period ending 30 June 2016 were reviewed in accordance with Chapter 2 of the Financial Reporting Framework and Guide issued by the National Treasury (The report of the Audit Committee).
- The draft annual performance report for the financial year ending 30 June 2016 was reviewed and inconsistencies, misalignments and material non-achievements of targets were identified and recommendations for improvement were made to management.

Internal Audit Function

As at the time of this report, Audit Committee approved the Internal Audit Charter, Internal Audit Plan and three year rolling plan, internal audit manual and internal audit methodology. The Internal Audit Plan was in place at the commencement of audit committee and Internal Audit had raised issues regarding management actions to address audit issues raised in completed audits. Audit Committee will continue to monitor management actions and resolutions of the outstanding audit issues. The internal audit unit is properly resourced.

Auditor's Report

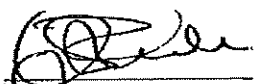
We have reviewed the municipality's implementation plan for audit issues raised in the 2015/2016 audit and the following audit findings remained unresolved as at the date of the report:

- The progress made by management in implementing the audit remedial plan to address the findings in ensuring an improved audit outcome.
- Audit Committee reports that there are still outstanding actions to address other material findings of the AGSA audit

- The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.

Appreciation

Audit Committee wishes to express its appreciation to the Council and management of Nkomazi Local Municipality, the Auditor-General's office, the Internal Audit and Risk Management Function for their co-operation and information they have provided to enable Audit Committee to execute its functions for the period under review.



Mrs ZC Sibanda
Chairperson of the Audit Committee

1.3. RISK MANAGEMENT COMMITTEE

The Risk Management Committee was established in accordance with the provision of Sections 62(1)(c)(i) and 95(c)(i) of the MFMA no 56 of 2003, read in conjunction with prescripts (c) and (d) as per National Treasury Framework, which require the Accounting Officer to ensure that the Institution has and maintain effective, efficient and transparent systems of risk management.

The committee consists of two external members, Municipal Manager, Heads of Department, Senior Managers and Departmental Champions. The committee is chaired by an independent Chairperson who reports to the audit committee on how the activities of risk management committee are discharged.

The Mpumalanga Provincial Treasury (Risk Management Division) and Ehlanzeni District Municipality (Risk Management Division) are standing invitees to all risk management committee meetings. Their role is to play an oversight and provide advice to the municipality where necessary.

NUMBER OF MEETINGS HELD DURING 2016/2017

The committee held two meetings during year under review:

- 13 February 2017
- 27 June 2017

Not Attended= ● All Attended = ●

RISK COMMITTEE COMPOSITION

Members	Seats	Attendance	Internal	External
Ms K Moumakoe	Chairperson	● ●		√
Guman M	Audit Committee	● ●		√
Internal Audit Unit	Internal Audit	● ●	√	
Risk Management Unit	CRO	● ●	√	
Municipal Manager (Office)	MM's Office	● ●	√	
CFO (Office)	CFO and Finance	● ●	√	
Director: Infrastructure	Infrastructure Development	● ●	√	
Director: Planning	Planning and Development	● ●	√	
Director: Corporate	Corporate Services	● ●	√	
Director: Community Services	Community Services	● ●	√	
Departmental Risk Champions (5)		● ●	√	

Most risks lie in every sector of the Municipal business and a sound and effective risk management system is crucial to the long-term development of the Municipality (Nkomazi Local Municipality). Therefore, the Risk Management Committee exists to ensure that the Accounting Officer achieves the risk management objectives.

RISK MANAGEMENT COMMITTEE RESPONSIBILITIES AND HOW THEY WERE DISCHARGED

The Risk Management Unit has continued to support the Municipality and the Risk Management Committee in the best possible ways, ensuring that risk management becomes a robust process.

The Risk Management Committee has in place the Risk Management Committee Charter, as its governing instrument. This document outlines the membership, meeting format and frequency, responsibilities for risk oversight and reporting, implementation of both operational and strategic risk registers, and the reporting line that applies to the Committee.

The existence of the Risk registers that are brought to the Committee as a framework, allows the Audit Committee and the Municipality to have a better overview of the Municipalities major operational and strategic risks and how management has sought to monitor and mitigate them.

In discharging its governance responsibilities relating to risk management, the Risk Management Committee should and has effectively done the following:

Reviewed and recommended for the Approval of the following documents by the Accounting Officer:

- Risk management policy;
- Risk management strategy;
- Risk management implementation plan;
- Fraud Prevention Plan;
- Whistle Blowing Policy;
- Strategic Risk Register Assessment Report (Already approved)
- Institution's risk identification and assessment methodologies, after satisfying itself of their effectiveness in timeously and accurately identifying and assessing the Institution's risks.
- Assess implementation of the risk management policy and strategy (including plan);
- Provide timely and useful reports to the Accounting Officer on the state of risk management, together with accompanying recommendations to address any deficiencies identified by the Committee.

FINANCIAL MANAGEMENT CAPABILITY MATURITY MODEL (FMCMM)

Provincial Treasury uses the Financial Management Capability Maturity Model (FMCMM) to establish the extent to which Enterprise Risk Management (ERM) has been implemented in Council. A subset of questions for risk management are used to assess the level of risk management maturity. The subset model consists of six (6) levels. NLM Council was assessed to be at maturity level that is to say risk management is firmly embedded in the institution.

AUDIT COMMITTEE

Audit Committee focuses on the robustness of the risk management processes and oversees the Municipality's strategic risks register.

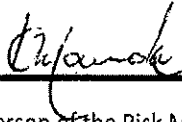
Risk management Committee assists the Audit Committee by conducting internal reviews of the Municipality's operations, in particular, the review of internal controls in the areas identified in the risk registers.

The registers, comprising the key risks identified, refined and calibrated by Risk Management unit with the responsible directors, along with detailed action plans, were reviewed by the Audit Committee.

CONCLUSION

Efforts in building up a more formal, robust and considered system will continue with the aim of bridging gaps, reinforcing risk ownership, defining Municipal level risk criteria, and standardizing risk language across the Municipality.

With that the Risk Committee further extends its appreciation to the Municipal Manager, Management, Staff, Risk Management Unit and the Internal Audit Unit, for handling and continuing to strive to solve some of the issues raised in the previous Auditor General's report.



Chairperson of the Risk Management Committee
(Keneiloe Moumakoe)

1.4. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

GEOGRAPHIC PROFILE OF THE MUNICIPALITY

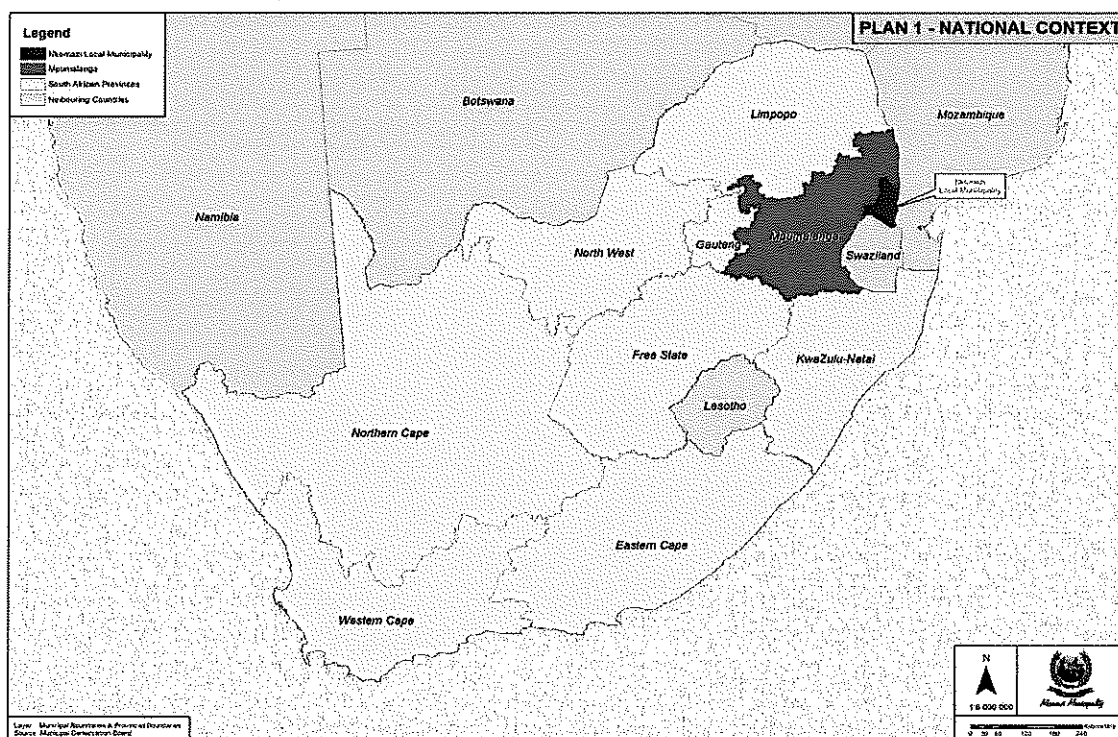
The demographic profile of the Nkomazi Local Municipality is discussed in terms of the Institutional and demographic analysis.

INSTITUTIONAL ANALYSIS

The Nkomazi Local Municipality is located in the eastern part of the Ehlanzeni District Municipality of the Mpumalanga Province. The municipality is strategically placed between Swaziland (North of Swaziland) and Mozambique (east of Mozambique). It is linked with Swaziland by two provincial roads the R570 and R571 and with Mozambique by a railway line and the main national road (N4), which forms the Maputo Corridor.

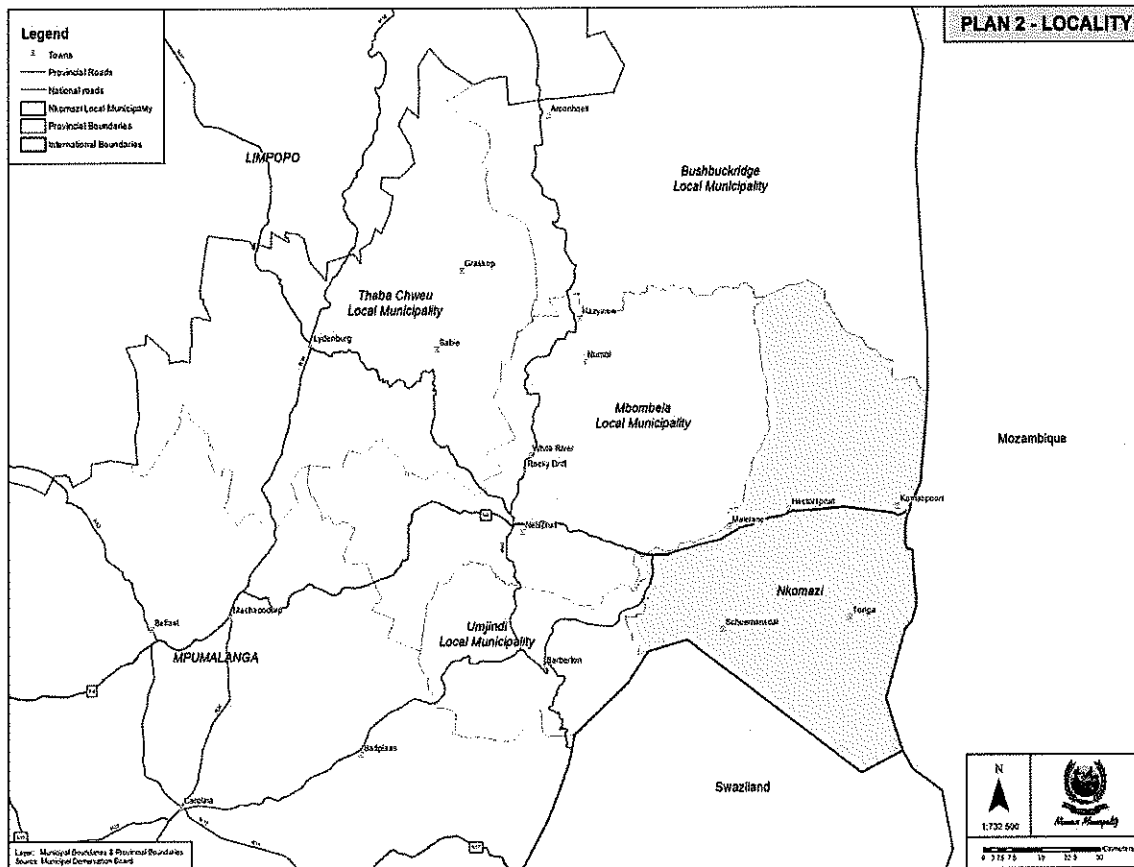
NATIONAL AND PROVINCIAL CONTEXT

Nkomazi Local Municipality is located in Mpumalanga Province which is situated in the north-east of South Africa, see the map below.



LOCALITY

Nkomazi Local Municipality is one of the five local municipalities within the Ehlanzeni District Municipality. The Municipality is located in the eastern part of the Mpumalanga Province. It is bordered to the north by the south-eastern section of the Sabie River in the Kruger National Park, Mozambique to the east, Swaziland to the south and Mbombela to the west and Umjindi Local Municipalities to the south-west. The geographical area measures 478 754.28 Ha in extent (*Source: Municipal Demarcation Board*).



MUNICIPAL WARDS

Nkomazi Local Municipality is divided into 33 (thirty-three) municipal wards as determined by the Municipal Demarcation Board. The Table below outlines all the 33 wards and their respective settlements.

Wards and their respective settlements	
Ward number	Settlement Area
Ward 1	Part Tonga Block C; Part of KaMaqhekeza
Ward 2	Tonga Block A; Part of Tonga B; Part of Mangweni
Ward 3	Part of KaMaqhekeza; Part of Block C
Ward 4	Naas Township; Part of KaMaqhekeza
Ward 5	Part of Tonga Block B; Part of Block C
Ward 6	Komatipoort and Farms; Orlando; Brink (Dludluma); Albertsnek (Ngwenyeni)
Ward 7	South-eastern part of the Kruger National Park, Marloth Park; Part of Vlakbult (KaMdladla) and farms
Ward 8	Steenbok
Ward 9	Part of Mangweni; Tonga Village
Ward 10	Phiva; Part of Tonga Block A
Ward 11	Goba; Ericsville, Figtree (Hhoyi)
Ward 12	Mbangwane; Tsambokhulu; Khombaso; Mananga; Mandulo
Ward 13	Mbuzini, Bhaca, Ndindindi, Nkungwini, Mpanganeni, Durban, Mabidozini, Samora Park, Emacambeni
Ward 14	Masibekela; Mthatha; Hlahleya
Ward 15	Mgobodzi; Part of Magudu
Ward 16	Madadeni; Sibange and Part of Magudu
Ward 17	Part of Mangweni
Ward 18	Magogeni; Skoonplaas (Gomora)
Ward 19	Ntunda; Sikhwahlane; Part of Mzinti
Ward 20	Part of Mzinti; Part of Vlakbult (KaMdladla)
Ward 21	Phosaville; Part of KaMhlushwa
Ward 22	Part of KaMhlushwa; Part of Langelooop
Ward 23	Boschfontein
Ward 24	Part of Driekoppies; Part of Middelplaas; Aniva
Ward 25	Part of Langelooop
Ward 26	Part of Driekoppies
Ward 27	Part of Schoemansdal; Part of Buffelspruit
Ward 28	Part of Schoemansdal; Jeppes Reef
Ward 29	Part of Buffelspruit; Mbekisburg; Hectorspruit; Luggedlane Tourism Estate; farms
Ward 30	Mhlati; Malelane; Kamkwarukwaru; Stento, Kaapmuiden; Shiyalongubo; Sincobile; Louieville; farms,
Ward 31	Schulzendaal: Part of Middelplaas
Ward 32	Part of Jeppes Reef
Ward 33	Part of Schoemansdal

PLAN 3 - MUNICIPAL WARD BOUNDARIES

N
1:292 000
Kilometers
0 1.5 3 6 9 12

Legend

- Towns/Settlements
- Kruger National Park
- Mkomoti Local Municipality
- Municipal Boundaries
- International Boundaries
- Ward boundaries

Bushbuckridge Local Municipality

Mbombela Local Municipality

Kruger National Park

Mozambique

Swaziland

Layer: Municipal Boundary & Towns
Source: Ehlanzeni District Municipality

Layer: Wards
Source: Municipal Demarcation Board (2012)

TRADITIONAL AUTHORITIES

Nkomazi Local Municipality consists of 8 (eight) Traditional Authorities situated in the southern section of the municipal area (Refer to Plan 4: Traditional Authorities and Plan 5: Settlement Boundaries). The table below outlines the different traditional authorities and their respective settlements or villages under their control.

Traditional Authorities and their respective settlements		
Nr	Traditional Authority	Settlement Area
1	Mlambo Tribal Authority	Mabidozini, Samora Park, Emacambeni, Mbangwane; Ekusulukeni, Khombaso, Tsambokhulu; Mananga; Masibekela, Mandulo; Mthatha, New Village, and Hlahleya.
2	Hhoyi Tribal Authority	Hhoyi, Eric'sville and Goba.
3	Siboshwa Tribal Authority	Part of kaMaqhekeza; Block A (KwaZibukwane); Block B (KwaSibhejane); Block C (Esibayeni); Tonga and Los My Cherry.
4	Kwa-Lugedlane Tribal Authority	Mangweni and Steenbok
5	Mawewe Tribal Authority	Magudu; Mgobodzi; Madadeni; Sibange; Phakama.
6	Matsamo Tribal Authority	Jeppes Reef; Schoemansdal; Buffelspruit; Driekoppies; Middleplaas; Schulzendal, Mzinti; Ntunda; Phiva; Mdladla; Phosaville; Langeloo; Ekuphumuleni; Sikhwahlane.
7	Mhlaba Tribal Authority	Magogeni; Boschfontein; Skoonplaas.
8	Lomshiyo Tribal Authority	Louieville; Shiyalongubo, Sincobile

URBAN AREAS

The urban areas for Nkomazi Local Municipality are:

1. Malelane	5. Kaapmuiden
2. Hectorspruit	6. Komatipoort
3. KaMaqhekeza	7. KaMhlushwa
4. Tonga	

PLAN 4 - TRADITIONAL AUTHORITIES

N
1:292 000
Kilometers
0 1.5 3 6 9 12

Legend

- Towns/Settlements
- National Roads
- Provincial roads
- District roads
- Railway
- KNP Roads
- Kruger National Park
- Nkomazi Local Municipality
- Municipal Boundaries
- International Boundaries
- Hoya TA
- Lugedane TA
- Matsamo TA
- Mawewe TA
- Mhlaba TA
- Mlambo TA
- Siboshwa TA

The map displays the Nkomazi Local Municipality, which is divided into several traditional authorities (TAs) including Hoya, Lugedane, Matsamo, Mawewe, Mhlaba, Mlambo, and Siboshwa. It also shows Kruger National Park and various towns/settlements. The map includes a legend, scale bar, north arrow, and inset map.

[illegible]

POPULATION & DEVELOPMENT ANALYSIS OF NKOMAZI MUNICIPALITY

The purpose of this section is to provide information regarding the development context as well as the population and development trends of the municipality.

POPULATION SIZE AND COMPOSITION

Description	Stats SA Census 2001	Stats SA Census 2011	projected population size*	projected population size *	projected population size *
			2014	2015	2016
Population Size	334 668	390 610	409 146	415 519	421 991
Annual Growth rate (2001-2011)		1.5%			

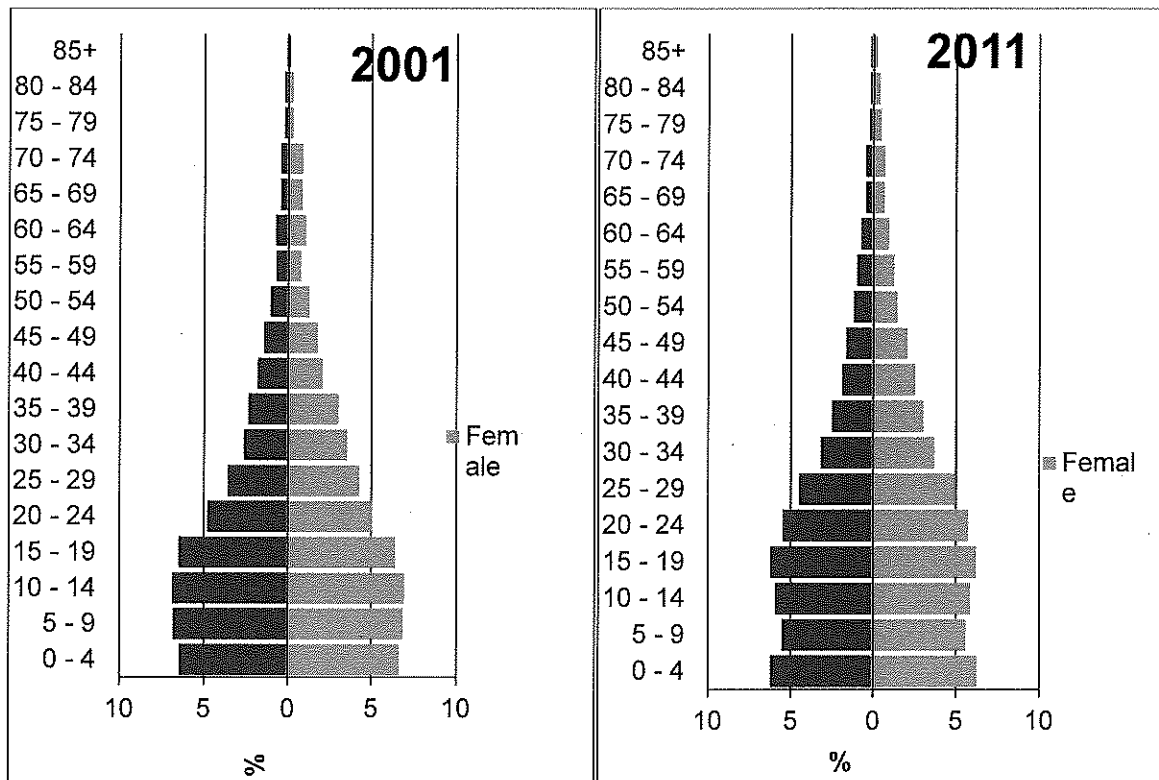
Stats SA Census 2001 & 2011

*Linear growth rate projections done during class conducted by Stats SA

According to census 2001 the population size was 334 668 and in 2011 it was 390 610. Population grew by 55 942 between 2001 and 2011 and the average population growth rate was 1.5% per annum. If it is assumed that the same growth rate will prevail, the population could increase up to 421 991 in 2016.

POPULATION AGE AND SEX COMPOSITION

Total Population												
Age Group	2001				2011							
	Male	Female	Total	Age Group	Male	Female	male	MP324: Nkomazi	total	Age Group	Male	Female
0 - 4	21621	22388	44009	0 - 4	6.5	6.7	24312	24 469	48 780	0 - 4	6.2	6.3
5 - 9	22910	23119	46029	5 - 9	6.8	6.9	21567	21960	43 527	5 - 9	5.5	5.6
10 - 14	23004	23350	46354	10 - 14	6.9	7.0	23117	23063	46 180	10 - 14	5.9	5.9
15 - 19	21813	21569	43382	15 - 19	6.5	6.4	24249	24419	48 667	15 - 19	6.2	6.3
20 - 24	15992	17087	33079	20 - 24	4.8	5.1	21329	22504	43 833	20 - 24	5.5	5.8
25 - 29	11918	14477	26395	25 - 29	3.6	4.3	17444	19613	37 057	25 - 29	4.5	5.0
30 - 34	8766	12006	20772	30 - 34	2.6	3.6	12436	14594	27 029	30 - 34	3.2	3.7
35 - 39	7889	10194	18084	35 - 39	2.4	3.0	9720	12029	21 749	35 - 39	2.5	3.1
40 - 44	5959	7134	13094	40 - 44	1.8	2.1	7312	10162	17 475	40 - 44	1.9	2.6
45 - 49	4749	6087	10836	45 - 49	1.4	1.8	6390	8153	14 543	45 - 49	1.6	2.1
50 - 54	3551	4301	7852	50 - 54	1.1	1.3	4566	5780	10 345	50 - 54	1.2	1.5
55 - 59	2358	2702	5060	55 - 59	0.7	0.8	3827	5002	8 829	55 - 59	1.0	1.3
60 - 64	2481	3658	6139	60 - 64	0.7	1.1	2840	3792	6 632	60 - 64	0.7	1.0
65 - 69	1490	2944	4433	65 - 69	0.4	0.9	1832	2667	4 499	65 - 69	0.5	0.7
70 - 74	1467	3067	4535	70 - 74	0.4	0.9	1690	2860	4 550	70 - 74	0.4	0.7
75 - 79	814	1067	1881	75 - 79	0.2	0.3	875	1941	2 816	75 - 79	0.2	0.5
80 - 84	750	1081	1831	80 - 84	0.2	0.3	710	1749	2 459	80 - 84	0.2	0.4
85+	335	569	905	85+	0.1	0.2	592	1046	1 638	85+	0.2	0.3
Total	157867	176800	334670				184808	205803	390 608			



The population of Nkomazi municipality shows a typical age structure of a very young population distribution from 2001-2014. According to both 2001 & 2011 censuses it shows that the young generation from 0-34 year's shares more than 75% of the total population, which will put more pressure in the municipality for provision of good education, improved health and job creation. In 2001, there was no evidence of declining in the age group 0-4 years compared to other age groups however a decline was observed in children aged 0-4 years in 2011. This could be attributed to fertility decline or high child mortality. However, according to the projected population of 2014, the pyramid shows an increased in the same age group of 0-4. It further indicates that since 2001 Nkomazi Municipality is experiencing a decline in the group 5-14 years from 40.8% in 2001 to 35.4% in 2011. The proportion of women in the population has remained unchanged from 2001 to 2011 at 53%, and 47% for males.

CHANGE IN THE AGE COMPOSITION AND POPULATION DEPENDENCY

Age Group	2001 Census Data		2011 Census Data		2014 projections	
	Number	%	Number	%	Number	%
0-14	136 352	40.8	139 279	35.5	139 241	34
15-34	123 513	36.9	157 562	40.1	168 348	41.1
35-64	60 959	18.2	80 114	20.4	86 386	21.1
65 +	13 596	4.1	16 075	4.1	16 895	4.1
Economically Active (15-64)	184 472	55.1	237 676	60.5	254 734	62.3

Source: Statistics South Africa: 2001, 2011 Censuses Data

As illustrated in the table above, the population aged 0-14 years has decreased from 40.8 to 35.5% between 2001 and 2011 and is projected to have decreased to 34.0% by 2014.

It is important to note that the economically active population aged 15-64 years has increased from 55.1% to 60.5% and 5% between 2001 and 2011 and is projected to have increased to 62.3% by 2014. It is of particular importance that within the economically active population, the largest increase was in the youth aged 15-34 years. If the economically active population is growing faster than the population in general it holds an important developmental opportunity. This is reflected in the decrease in the dependency ratio. In other words, there are fewer people in the dependent age groups 0-14 and 65+ years that rely on the working population for their livelihoods. However, this opportunity can only be materialized if the potentially economically active population is in fact accommodated in the labour market. This is most often not the case as shown in the socio-economic analysis.

Although the proportion of older persons remains unchanged from 2001 to 2011 the number of older persons is projected to have increased to 16 895 by 2014.

RACIAL COMPOSITION

There is a slight increase in the Indian/Asian population from 0.1% - 0.3% and in the White population from 1.2% – 1.6%. The African Population is still predominant at 97.7% in 2011.

SOCIO-ECONOMIC ANALYSIS

One of the primary determinants of development is the ability of individuals and communities to have access to employment.

EMPLOYMENT STATUS

Unemployment Rates (strict definition)	1996	2001	2011
Unemployed 15-64	34.79	41.46	34.29
Women unemployment 15-64	45.34	52.34	42.51
Youth unemployment 15-35	40.57	47.47	41.53

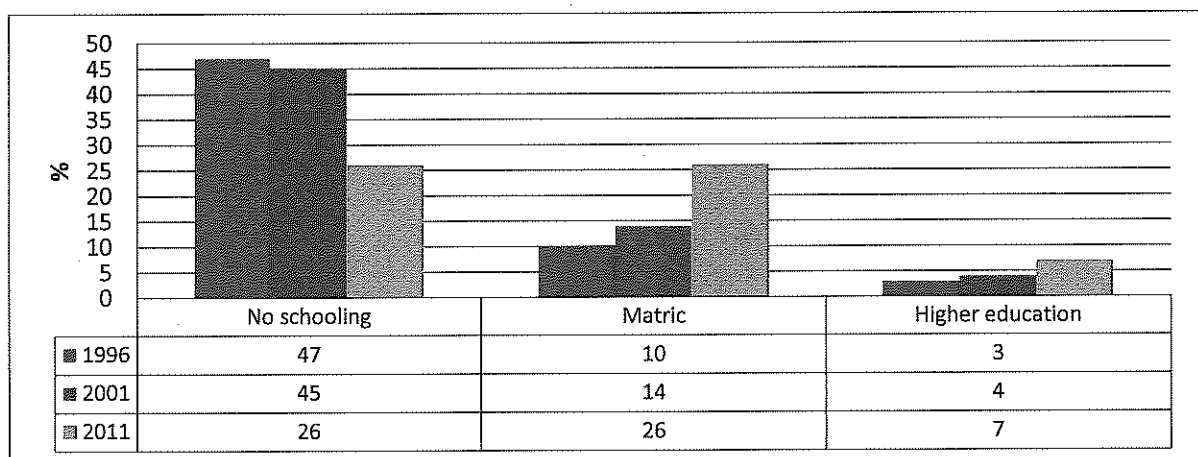
Stats SA census 1996, 2001, 2011

As illustrated in the table above, the unemployment rates for all groups have decreased from 2001 to 2011 but are still high. This strict definition however does not consider discouraged work seekers.

The unemployment rates for women and for youth aged 15-35 are significantly higher than for the general population aged 15-64 years. The inability of these vulnerable groups to access employment is a major determining factor in their general development. In the case of women heading households it will also affect the development status of the entire household.

Education is not the only factor that contributes to unemployment, but is a key indicator of development in general.

HIGHEST EDUCATIONAL ATTAINMENT FOR PERSONS 20+

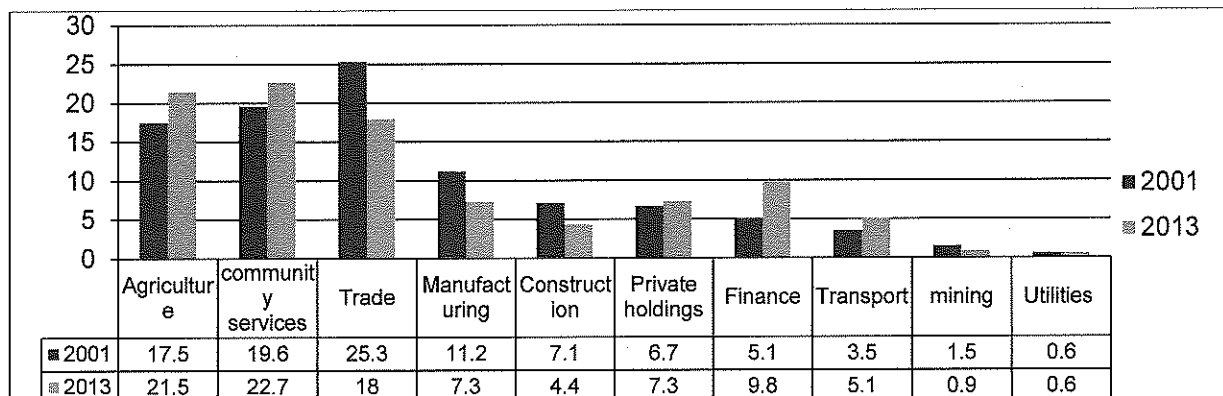


Stats SA Census 1996, 2001, 2011

The figure above represents the overall educational attainment the population older than 20 years in Nkomazi local municipality. There were major improvements in educational attainment within the municipality between 2001 and 2011. In 1996 47% had had no schooling and this decreased to 26% in 2011 which indicates favourable improvements in educational attainment over a period of 15 years.

Although there have been improvements in the attainment of matric as well as post matric qualifications, this will not translate into employment if the types of education and training does not match the needs in the labour market.

EMPLOYMENT BY SECTOR



Department of Finance: Socio Economic 2013

According to the figure above, the leading industries in terms of employment per sector in 2001 were community services, agriculture and trade. However, in by 2013 trade had decreased by 7 percentage points. The decreases in manufacturing and construction are concerning since these sectors have some of the best potential in creating employment and economic growth. Employment in turn directly affects personal and household income and also directly influences the ability of the households to pay rates and taxes.

ANNUAL HOUSEHOLD INCOME

Annual Household income	2001	%	2011	%
No income	18 415	24.4	16 179	16.8
R1-R9600	34 157	45.2	19 038	19.7
R9601-R153600	22 024	29.1	55 597	57.8
1536001+	959	1.2	5 388	5.5

Stats SA Census 2001 & 2011

Although a significant decrease was recorded in the number and percentage of households that reported not having any income at all, it is still high at 16.8%. The number and percentage of household earning R1 – R9600 per year decreased from 45.2% in 2001 to 19.7% in 2011. If this is considered as a

good indication of the levels of poverty, it means that 36% of the households in Nkomazi still earn less than R800 per month, which has serious implications for the indigent policies of the municipality as well as their ability to generate income from rates and taxes.

ANALYSIS OF HOUSEHOLD SERVICES

Since municipal services generally target “sites” it is important to note that a site and a household as defined by Statistics South Africa might not be exactly the same although it is a relatively good proxy.

NUMBER OF HOUSEHOLDS

	1996	2001	2011
Number of Households	53 043	75 593	96 202
Average household Size	5.13	4.30	4.07
Female Headed households (2011 census)			45%
Formal dwellings (2011 census)			92.5%
Number of traditional households (2011 census)			3.9%
Informal dwelling (2011 census)			2.9%

Stats SA: Censuses 1996, 2001, 2011

According to Statistics South Africa Censuses 1996, 2001, 2011 the number of households is growing faster than the Population at an annual growth rate of 4.1% and 1.5% respectively. This could be partially attributed to the unbundling of households, which is supported by the decrease in the average household size from 5.13 to 4.07 between 1996 and 2011. This means that people, who previously shared a household, now are moving away to form their own households. Almost half (45%) of the households are headed by females. As discussed earlier, females are more severely affected by unemployment and poverty. The vast majority of households occupy formal dwellings, while 3.9% and 2.9% occupy traditional and informal dwellings respectively.

BASIC SERVICE INFRASTRUCTURE

BASIC SERVICE INFRASTRUCTURE INDICATORS	Trend	Latest figure	Better (+) or worse (-) than Ehlanzeni	Better (+) or worse (-) than province	Ranking: best (1) – worst (18)
	2001	2011			
% of households in informal dwellings	5.5%	2.9%	(+) (4.8%)	(+) (10.9%)	2
% of households with no toilets or with bucket system	29.7%	15.9%	(-) (10.8%)	(-) (7.2%)	18
% of households with connection to (tap) piped water: on site & off site	86.3%	81.5%	(+) (81.0%)	(-) (87.4%)	14
% of households with electricity for lighting	47.3%	83.3%	(-) (88.9%)	(-) (86.4%)	13
% of households with weekly municipal refuse removal	11.0%	20.3%	(-) (24.7%)	(-) (42.4%)	14

The only service delivery area from the table above is better than the average for the Ehlanzeni District, is the provision of piped water on site or off site. However, a comparison of 2001 and 2011 shows a decrease of 4.2 percentage points in the number of households accessing this service. This is most probably due to the increase in the number of households and not a decrease in number of service sites.

Although there have been significant improvements in the areas of bucket toilets, electricity and refuse removal, the performance is still below the district average and the provincial ranking is 13 or higher.

Access to clean water is closely associated with development and community health in particular. Nkomazi has the second worst Blue Drop status and the worst Green Drop water status in the province.

HEALTH STATUS

Ranking	Description	No of People	%
1	Tuberculosis (A15-A19)	710	27.7
2	Cerebrovascular diseases (I60-I69)	480	18.7
3	Intestinal infectious diseases (A00-A09)	363	14.1
4	Influenza and pneumonia (J09-J18)	266	10.4
5	Human immune deficiency virus [HIV] disease (B20-B24)	129	5.0
6	Other viral diseases (B25-B34)	111	4.3
7	Other external causes of accidental injury (W00-X59)	108	4.2
8	Transport accidents (V01-V99)	104	4.1
9	Certain disorders involving the immune mechanism (D80-D89)	103	4.0
9	Non-infective enteritis and colitis (K50-K52)	103	4.0
10	Diabetes mellitus (E10-E14)	90	3.5

Source: Statistics South Africa,

The table above indicates the 10 most common causes of death in the municipality. Tuberculosis is the most common cause of death at 27.7%, claiming the lives of 710 people in 2009. Although only 5% of the deaths are attributed to HIV, it is well known that diseases such as tuberculosis, intestinal infections and influenza are often related to HIV and the decreased immunity associated with the virus.

HIV

HIV and AIDS still remains one of the major development challenges facing the municipality. Women often bear a disproportionately large share of the burden of care within the households. They take the main responsibility for caring for frail older persons as well as sick family members. This does not only affect their personal time but restricts them from becoming involved in permanent employment. In South Africa prevalence in people aged 55-59 has increased rapidly between 2008 and 2012, from 7.7% to 12% among women, and from 6.2% to 6.9% in men. With these trends predicted to continue over the coming years.

TEENAGE PREGNANCY

The Department of Basic Education has taken an active role in seeking to understand and effectively address this challenge of teenage pregnancy. However, this is a report of the department of basic education in teenage pregnancy starting that it must be noted, that teenage fertility has declined by 10% between 1996 (78 per 1000) and 2001 (65 per 1000). A further decline in teenage fertility (54 per 1000) was reported in the 2007 Community Survey. Older adolescents aged 17-19 account for the bulk of teenage fertility in SA. While rates are significantly higher among Black (71 per 1000) and Coloured (60 per 1000) adolescents, fertility among White (14 per 1000) and Indian (22 per 1000) adolescents approximates that of developed countries. This difference can in all likelihood be accounted for by the wide variation in the social conditions under which young people grow up, related to disruptions of family structure, inequitable access to education and health services, as well as the concentration of poverty and unemployment in Black and Coloured communities.

1.5. SERVICE DELIVERY OVERVIEW

Nkomazi Local Municipality acts both as a Water Service Authority and Water Service provider, and as such is mandated to discharge water and sanitation services to all its communities within its area of jurisdiction. Currently, the provision of water services in the four urban towns (Malelane, Hectorspruit, Marloth Park and Komatipoort) is achieved through bulk water abstraction from the Crocodile River, purification and distribution through four (4) water supply schemes. Provision of water in the rural areas is achieved through twelve (12) water supply scheme where water is sourced from the Driekoppies Dam, Lomati River and Komati River. In rural areas where bulk water services are not available yet, and still a challenge, water supplies are achieved through boreholes supplemented by municipal water tankers.

Sanitation services rendered in the three (3) urban towns (Malelane, Hectorspruit, Komatipoort) & Tonga Business area of the municipality includes sewerage collection, treatment and disposal through five (5) wastewater treatment systems, whereas in Marloth Park and Suidorp sanitation services is in a form of septic tanks. In the rural areas of the municipality, basic sanitation services are in the form of sanitation toilets.

The municipality is progressively moving towards provision of efficient, affordable, economical and sustainable access to water and sanitation services to all its consumers, as such a number of water & sanitation projects are implemented.

The municipality is working towards improvement on its Blue & Green drop performance status with the current challenges faced such as Ageing infrastructure (WTW, WWTW), Plants operating above capacity due to population growth demands, etc., which affect negatively the performance of the municipality. Nkomazi Municipality together with ESKOM is the Licensed Authorities for the Nkomazi jurisdiction as issued by the National Electricity Regulator of South Africa. Although the licenses are the same, the areas of supply are not the same. Nkomazi Municipality is mainly responsible for the formal towns and ESKOM for the rural townships and areas. There are also regions where the areas of supply overlap each other and the Regulator was requested to act as mediator to resolve the dispute.

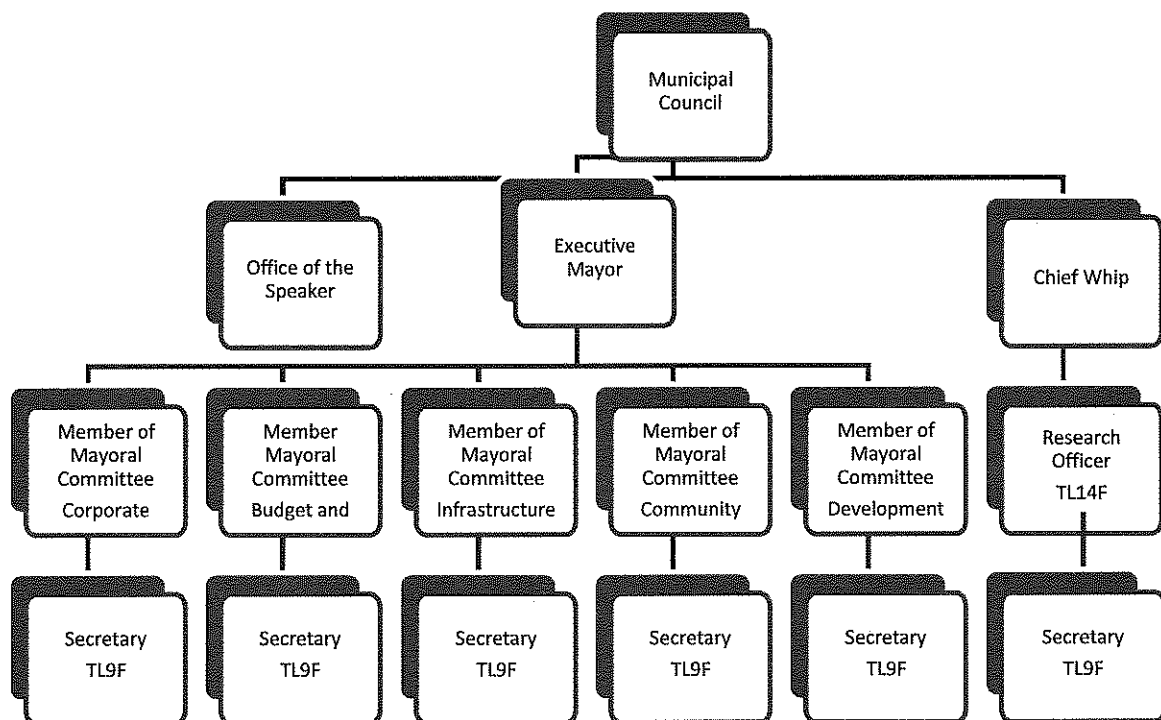
Waste management services are rendered throughout Nkomazi Local Municipality including rural areas and schools. The municipality has won several clean town competitions.

1.6. ORGANISATIONAL DEVELOPMENT OVERVIEW

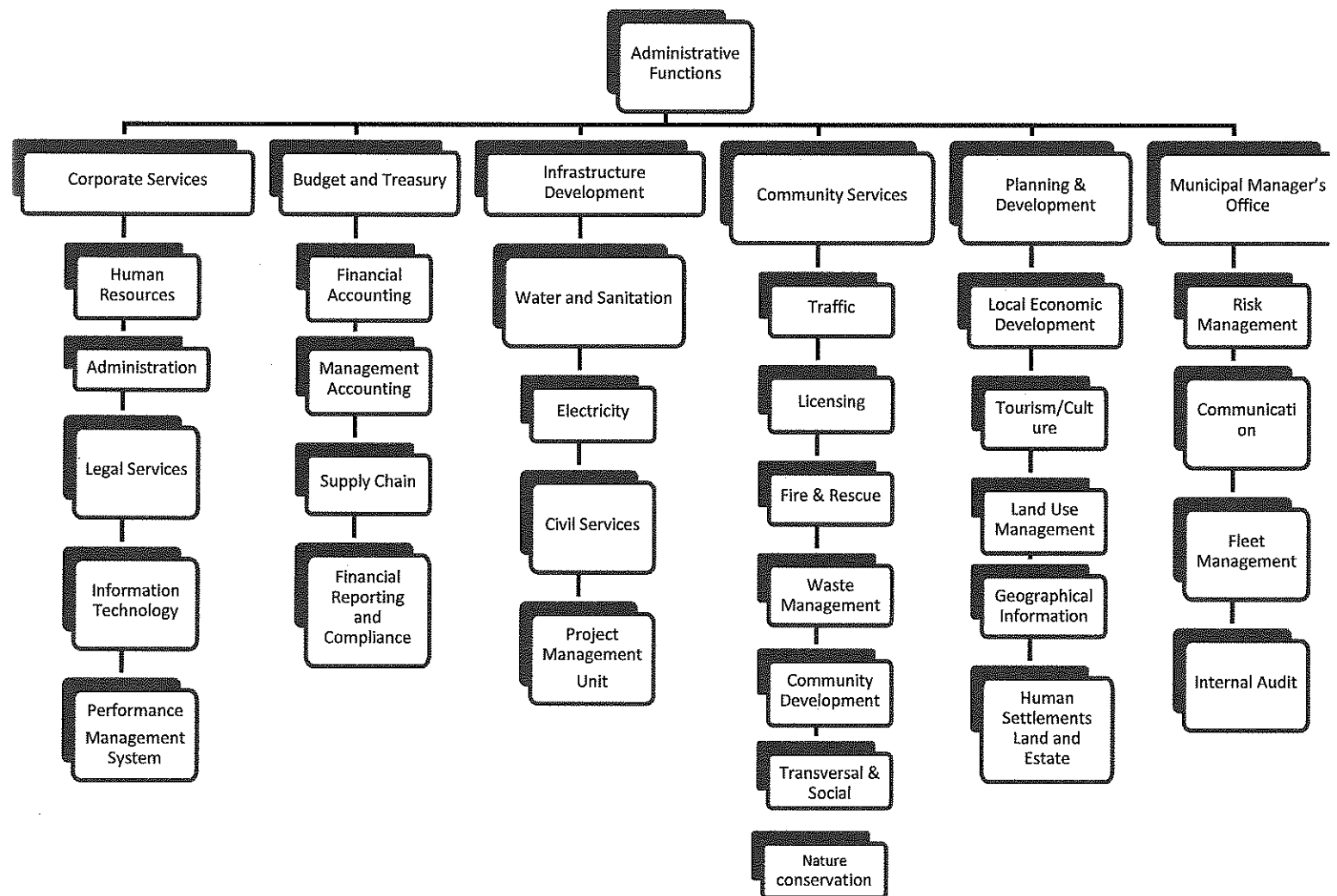
A business model is described as an organization's system of transforming inputs, through its business activities, into output and outcomes that aim to fulfil the organization's strategic purposes and create value over the short, medium and long term. Such system is influenced by various internal and external environmental factors, which together make up the organization's operating context. This section of the report provides information on aspects of Nkomazi local municipality and the environment in which it operates.

The figure below depicts the organizational structure that was approved by the council for the 2016/17 financial year:

Council



Administration



NLM's organizational structure is reviewed annually to accommodate the development needs and the growth of the municipality. For any organization, there is always a risk of inability to have access to right caliber staff to successfully deliver on the mandate, regardless of these challenges NLM has continued to appoint most suitable, qualified and skilled workers to ensure that available resources are utilized efficiently and effectively.

The posts for Chief Financial Officer, Director Infrastructure Services department, Director Corporate Services department and Director Planning and Development department remained vacant for the major part of the year under review, these posts were occupied by officials in acting capacity.

1.7. AUDITOR GENERAL'S REPORT

Report of the auditor-general to the Mpumalanga Provincial Legislature and the council on the Nkomazi Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Nkomazi Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nkomazi Local Municipality as at 30 June 2017 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

7. As disclosed in notes 41 and 47 to the financial statements, the corresponding figures for 30 June 2017 have been restated as a result of an error discovered during 2017 in the financial statements of the municipality at, and for the year ended, 30 June 2016.

Material losses – electricity

8. As disclosed in note 55 to the financial statements, material electricity losses to the amount of R10 815 696 (2015-16: R8 619 517) was incurred, which represented 23% (2015-16:15%) of the total electricity purchased.

Material impairments – trade debtors

9. As disclosed in notes 7 and 9 to the financial statements, material losses to the amount of R136 552 165 (2015-16: R84 996 141) were incurred as a result of the impairment of trade debtors.

Other matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

11. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting officer

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
13. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting officer either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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Auditor-general's responsibilities for the audit of the financial statements

14. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

16. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
17. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
18. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the municipality for the year ended 30 June 2017:

Key performance area	Pages in the annual performance report
Key performance area: Basic service delivery	x – x

19. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

20. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following selected objective:

- Basic service delivery

Other matter

21. I draw attention to the matter below.

Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information for basic service delivery. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

23. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

24. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements, performance report and annual report

25. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current asset and disclosures identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

26. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

27. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R1 795 084, as disclosed in note 51 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

Procurement and contract management

28. Some goods and services with a transaction value above R200 000 were procured without inviting competitive bids, contrary to supply chain management (SCM) regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).
29. Bid documentation for the procurement of some commodities designated for local content and production did not stipulate the minimum threshold for local production and content, as required by preferential procurement regulation 9(1).

Budgets

30. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R62 867 924, as disclosed in note 50 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

Human resource management and compensation

31. Appropriate systems and procedures to monitor, measure and evaluate the performance of all staff were not developed and adopted, as required by section 67(1)(d) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000).

Other information

32. The municipality's accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those objectives presented in the annual performance report that have been specifically reported on in the auditor's report.
33. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
34. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.
35. I have read the other information included in the draft annual report and have nothing to report in this regard.

36. I have not yet received the final annual report containing the other information. When I do receive this information, and if I conclude that it contains a material misstatement, I am required to communicate the matter to those charged with governance and to request the other information to be corrected. If the other information is not corrected, I may have to re-issue my auditor's report amended as appropriate.

Internal control deficiencies

37. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

Leadership

38. The accounting officer did not adequately review the financial statements and the annual performance report before submitting them for auditing, resulting in material misstatements that were subsequently corrected.

Financial and performance management

39. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

Auditor-General

Mbombela

30 November 2017



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

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Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause the municipality to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

1.8. REMEDIAL ACTION PLAN FOR THE AUDITOR GENERAL'S FINDINGS

No	Component	Finding	Root Causes	Action Plans	Responsible Person	Implementation Date
1	Receivables	Impairment of traffic fines	Management used the method recommended by the Auditors in the 2015/2016 to determine the impairment of traffic fines	- The provision was adjusted during the audit. - Management will consider the factors raised by the Auditor General	Chief Financial Officer	30 June 2018
2	Commitments	Commitments formula outdated	Management oversight in the application of the formula	- The formula was corrected during the audit. - Management will adequately review the commitment register.	Chief Financial Officer	30 June 2018
3	SCM	Reasons for deviations not justifiable	Inadequate planning and unforeseen circumstances	Deviations to be categorised according to each circumstance.	Chief Financial Officer	28 February 2018
4		Local Content: Non-Compliance: Preferential Procurements Regulations paragraph 9(1)	Local content was not part of the advertisement	Management will ensure that on the advertisement the local content requirement is included.	Chief Financial Officer	30 June 2018
5	AOPO	Indicator number of km of municipal road network maintained	Inadequate review of performance information	The job cards will be split between different activities and POEs be submitted and reviewed on a quarterly basis	Director: Infrastructure Development PMS Manager	31 March 2018

No	Component	Finding	Root Causes	Action Plans	Responsible Person	Implementation Date
6		Indicator number of household with access to water services	Inaccurate listing of number of households provided for audit purpose	Management will reconcile listings to happy letters and completion certificates are submitted for audit purposes.	Director: Infrastructure Development PMS Manager	31 March 2018
7	Expenditure	Payments made after 30 days	1. Cash flow constraints 2. Inadequate budget implementation 3. Service providers' invoices with compliance issues (CSD) 4. Lack of invoice register	1. Management will ensure that invoice register is developed and maintained. 2. Budget confirmation forms to be attached on all procurement. 3. Minimise sundry payments	Chief Financial Officer	28 February 2018
8	Expenditure	Fruitless and wasteful expenditure incurred	Inadequate budget implementation resulting in incurring interests for late payments	Monitor the invoice register and payment schedule to ensure that payments are made within 30 days in order to avoid finance costs	Chief Financial Officer	28 February 2018
9		Irregular expenditure	Break down of system of internal control to detect the instances that could result in irregular expenditure	Management to comply with all procurement processes. The investigation of irregular expenditure to be conducted	Chief Financial Officer SCM Manager	28 February 2018
10	Budget	Unauthorised Expenditure incurred	Inadequate budget implementation resulting in over expenditure	Management to strengthen budget implementation internal controls	Chief Financial Officer	28 February 2018

No	Component	Finding	Root Causes	Action Plans	Responsible Person	Implementation Date
11	Employee cost	Performance reviews for section 57 employees and non-section 57 employees were not conducted	Cascading of individual performance management system (IPMS)	Monitor the ongoing process of cascading of IPMS	Director Corporate Services PMS Manager	30 June 2018

CHAPTER 2: GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

1. POLITICAL GOVERNANCE

During the 2016/17 Financial year the local government elections were held during the first quarter of the financial period and there were no significant changes in the leadership of the municipality hence the political governance systems and structures during the period under review have continued to function optimally. The council approved system of delegation document which remains the base document which guides the political governance activities in the municipality.

It can be reported with specific reference to the existing structures that the section 79 and 80 committees of council have discharged their mandates as expected. The recommendations of those committees in terms of political oversight continues to provide overall direction in the activities of council.

The vibrant and cordial relationship that exists within the Troika is the base which anchors the political direction and strategy of the municipality. It is accordingly envisaged that the political governance foundation that has been laid in during the period under review has laid a firm foundation for the new political term of office in the municipality.

COUNCILLORS

Councillors are elected representatives to serve a predetermined term of office on the local council on behalf of their respective constituencies. The Nkomazi Local Council has a total of 65 seats. Thirty-three (33) of these seats are allocated to ward Councillors who are elected through the wards they represent. The other thirty-two 32 seats are allocated to political parties in proportion to the number of votes cast for the respective parties.

COMMITTEE ALLOCATIONS – AUGUST 2016– JUNE 2017

TABLE NO. COMMITTEE ALLOCATION 14 AUGUST 2016 – JUNE 2017		
PORTFOLIO COMMITTEE	CHAIRPERSON	MEMBERS
Budget and Treasury	Cllr Mahlalela SS - ANC	1. Mahlalela Solomon Septimus 2. Mkhathswa Isaac Prince 3. Shabangu Calvin Jeremia 4. Ngomane Lindiwe Penelop 5. Mtetwa Jacob Mancoba 6. Ndlovu Promise Fikile 7. Sibiya Gracious Phumaphi 8. Shongwe Ntokozo Frank 9. Lubisi Mdawe Thomas 10. Mazibuko Dudu Goodness 11. Shisane Thembisile Catherine
Community Services	Cllr Mashele SJ– ANC	1. Mashele Sphiwe Jeanette 2. Zitha Sofie Phylie 3. Nkosi Judas Mbhedo 4. Shongwe Maliwaza Douglas 5. Lumphoko Phindile Charlote 6. Lubisi Mdawe Thomas 7. Lubisi Proud Nomvula 8. Mahlalela Mbango Million 9. Nkalanga Mfana Lazarus 10. Mkhonto Deliwe Gladys
Infrastructure Development	Cllr Mziako PM – ANC	1. Mziako Philosopher Mancoba 2. Magagula Selby Bonga 3. Mkhathswa Lizy 4. Siboza Justice Twelve 5. Shongwe Bandi Christopher 6. Dikiza Gloria Khethiwe 7. Nkala KP 8. Ngcane EZ 9. Masuku SH 10. Magagula FK
Planning and Development	Cllr Magagula PP– ANC	1. Magagula Phindile Pertuniah 2. Manzini Noah Elmon 3. Madlopha Thobile Frank 4. Maphanga Nomsa Precious 5. Khoza Mumsie Rose 6. Mthombo Thandolwakhe Millicent 7. Lubisi Nomsa Felicia 8. Ngomane Freddy Nicholas 9. Tiwane Boyboy Marvin

		10. Mkhonto Bafanyane Enock 11. Preddy Mariette Sophia 12. Khoza DM
Corporate Services	Cllr Shungube ZI – ANC	1. Shungube Zandile Innocentia 2. Motha Cleopas Mhomuza 3. Masilela Tobhota Elizabeth 4. Mogiba Gift Nosipho 5. Mndawe Sankie Octavia 6. Mkhathshwa Thokozile Maria 7. Mabuza Vempi Ephrain 8. Nkosi Nonto Madikizela 9. Moosa Vusi Canny 10. Nkosi Thembie Sabeth 11. Khoza DM

TABLE NO: WARD COUNCILLORS BY POLITICAL PARTY (2016-2021)		
WARD COUNCILLORS LIST		
WARD NO	NAME	POLITICAL PARTY
1	Cllr. Mkhathshwa IP	ANC
2	Cllr. Ngomane FN	ANC
3	Cllr. Mtetwa JM	ANC
4	Cllr. Mabuza VE	ANC
5	Cllr. Bafanyana E	ANC
6	Cllr. Mathonsi SS	ANC
7	Cllr. Sibiya GP	ANC
8	Cllr. Tiwane BM	ANC
9	Cllr. Maphanga NP	ANC
10	Cllr. Lubisi PN	ANC
11	Cllr. Mkhonto DG	ANC
12	Cllr. Nkala KP	ANC
13	Cllr. Mahlalela MM	ANC
14	Cllr. Nkalanga ML	ANC
15	Cllr. Mkhathshwa TM	ANC
16	Cllr. Masuku SH	ANC
17	Cllr. Shabangu JC	ANC
18	Cllr. Mazibuko DG	ANC
19	Cllr. Mthombo TM	ANC
20	Cllr. Ngomane MP	ANC
21	Cllr. Mahlalela SS	ANC
22	Cllr. Ndlovu PF	ANC
23	Cllr. Ngcane EZ	ANC
24	Cllr. Moosa VC	ANC

25	Cllr. Manzini NE	ANC
26	Cllr. Mavuso DD	ANC
27	Cllr. Shongwe MD	ANC
28	Cllr. Motha CM	ANC
29	Cllr. Magagula BS	ANC
30	Cllr. Magagula FK	ANC
31	Cllr. Siboza JT	ANC
32	Cllr. Chambale IM	ANC
33	Cllr. Mziako PM	ANC

2. ADMINISTRATIVE GOVERNANCE

SENIOR MANAGEMENT



Municipal Manager
Mr. MD Ngwenya



Director Corporate
Services:
Mr. SM Manzini

- Human Resources
- Administration
- Legal Services
- ICT
- PMS



Director Community
Services:
Ms ES Mahlalela

- Traffic
- Licensing
- Fire & Rescue
- Waste
- Community Development
- Transversal and Social services
- Nature Conservation



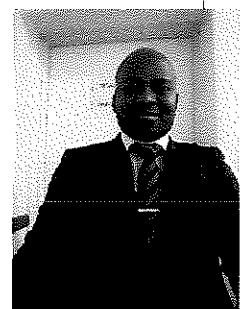
Acting Director Planning
and Development:
Mr. MD Mashele

- LED
- Tourism/ Culture
- Land Use Management
- GIS
- Human Settlement



Acting Director
Infrastructure:
Mr. EA Zitha

- Water & Sanitation
- Electricity
- Civil Services



Acting Chief
Financial Officer:
Mr. SZ Matsaba

- SCM
- Financial reporting and Compliance
- Management Accounting
- Financial Accounting

COMPONENT B: INTERGOVERNMENTAL RELATIONS

The Intergovernmental Framework Act of 2005, The MFMA of 2003, The Intergovernmental Fiscal relations Act 1997 are base legislation which continues to inform our approach to intergovernmental relations in the municipality. We can indicate in this regard that the municipality continues to participate fully in the established forums and activities which are designed to further the objectives of intergovernmental relations.

Some of the key ones are the IDP forums, Premier's Coordination Forum, LED Forum, Mayor's Forum, Municipal Manager's Forum and many others. Through participation in these structures the municipality has managed to strengthen its capacity and benefit in shared services as well.

We equally believe that the participatory and cooperative environment that has been established during this period of municipal administration including the UMSEBE ACCORD programme has laid a firm foundation for future Intergovernmental and international relations programmes to be implemented successfully.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

1. IDP PARTICIPATION AND ALIGNMENT

The 2016/2017 Integrated Development was developed in line with Chapters 4 and 5 of the Local government: Municipal System Act No. 32 of 2000 and Regulations. The Process outlined below reflects all the phases and processes which were followed in developing the 2016/2017 IDP. The IDP was developed guided by the 2016/2017 IDP Process Plan as follows:

Preparatory Phase

The Ehlanzeni District Municipality developed and approved the 2016/2017 IDP Framework plan which informed the 2016/2017 IDP Process Plans for all the Local Municipalities within Ehlanzeni District. Nkomazi Local Municipality has developed and approved its Municipal IDP Process Plan in line with the District IDP Framework Plan as approved by the Ehlanzeni District Municipal Council. The Nkomazi Local Municipality IDP Process Plan was adopted by council on 31 August 2015. This plan has been used by Council to develop the 2016/2017 IDP which was ultimately approved by Council for implementation.

Phase 1: Analysis Phase

This phase was implemented taking into account key stakeholders engagement wherein the 33 ward committees were trained on the 2016/2017 IDP review process. Traditional Leaders and other key stakeholders were engaged during this IDP phase. The first two sessions were made up of all ward committees from the 33 wards. A detailed IDP review process was presented to the members with all the documents required during the review process. Ward committees were in turn afforded an opportunity to conduct meetings in their wards giving feedback on projects implementation and future plans. Key to this phase was to report on the progress made in the implementation of the 2015/2016 IDP and Budget. A situational analysis was conducted to determine whether the Municipal Departments are executing their mandates as per the legislation. The analysis phase commenced in September 2015 and ended in October 2015.

Phase 2: Strategies Phase

This phase comprised of strategies associated with each of the priority issues as identified in phase 1. A broad inter-departmental dialogue was employed with regard to the most appropriate ways and means of tackling priority issues under consideration of policy guidelines and principles, available resources, inter linkages, competing requirements. A strategy planning session took place on the 26 to 27 January 2016.

Phase 3: Projects Phase

In this phase, Departmental project task team members were given a responsibility of working out project proposals in line with the strategies and priority issues and where necessary additional information on project details was obtained. This phase ensured a smooth planning/ delivery link by providing an opportunity for a detailed and concrete project planning process done by relevant stakeholders who provide proposal with tentative target figures, technical standards, locations, time frames and cost estimates. This phase was completed in March 2016.

Phase 4: Integration Phase

This phase ensured that the results of project planning phase were properly conducted and speaks to the vision; objectives, strategies and resources. The 1st draft of the 2016/2017 IDP document of the municipality was tabled to Council on the 31st of March 2016. A public notice was issued for inputs and comments by the general public into the draft document. A program for public consultation was also developed and implemented. Projects and programs from sector Departments and other stakeholders were incorporated into the Draft IDP through the CRDP Business Plan.

Phase 5: Approval Phase

The IDP was tabled to council for approval on the 26 May 2016. The approved 2016/2017 IDP was also submitted to the Office of the MEC for Cogta in Mpumalanga as required in Chapter 5, Sections 25 and 32 of the Municipal System Act No.32 of 2000. Furthermore, a public notice for the adoption of the 2016/2017 was issued to inform the public about the approved plan.

Alignment

The approved IDP was used to guide the Development of the 2016/2017 Service Delivery and Budget Implementation Plan. Projects which were implemented through the 2016/2017 SDBIP were guided and aligned to the approved 2016/2017 IDP and Budget.

2. PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

Public meetings are regarded as the cogent platform between the municipality and the communities to consult, participate, report and exchange views on the programmes and performance of the municipality in delivering on the mandate of the electorate. In order to allow a smooth process of community engagement and bringing the municipal leadership closer to the people, the municipality in line with Section 152 (1) (e) of the Constitution of the Republic of South Africa has “to encourage the involvement of communities and community organizations in the matters of local government”.

The successful inaugural event of 4th democratic Nkomazi local council in September 2016 ushered in a renewed hope for the people of Nkomazi. A hope for continuation of an inclusive people’s driven local government, a hope for implementation of a new mandate for the next term of office.

Ward Councilors, Ward Committees, CDWs, Traditional Leaders and headsmen are the main structures used by the municipality to communicate views, decisions and to consult communities on any matter of the municipality.

A total of 32 ward committees with an exception of one were established within the prescribed ninety days after the inauguration of the municipal council. Plans are afoot to ensure that the remaining one ward is established, this will be achieved before the end of first quarter of 2017/2018 financial year.

Organized public meetings (community meetings, izimbizo and other organized forums), local and national newspapers, radio stations, public notices, loud hailing, call center, including official municipal websites and facebook account are the main instrument used to mobilize, communicate and invite public for meetings and disseminating of information.

According to the Local Government Municipal Structures Act councilors are expected to hold community meetings once a quarter, however, when a need arises and also to comply with Back to Basic approach, ward councilors are encouraged to convene community meetings once every month in order to receive community issues and elevate them to the municipality for action and also report back to the community.

Records of community meetings including attendance register are compiled and submitted to the Office of the Speaker. Since the Speaker is the Champion of public participation in the municipality. Community issues upon received by the Office of the Speaker are disseminated to relevant department for further actions.

Nkomazi local municipality believes that public involvement in all its forms is a pre-requisite for the provision of quality and sustainable service delivery which meets the needs and demands of our communities as contemplated in the constitution of the Republic of South Africa.

Chapter 4 of the Local Government Municipal Systems Act emphasis three elements of participatory government: firstly, municipalities must foster participation in the Integrated Development Plan, Performance Management, the Budget process and strategic decision regarding service delivery.

The Nkomazi Municipal council established governance structures in response to the legislative requirement, this is done to enable the municipality to reach every member of the community residing in Nkomazi.

Success have been achieved in mobilizing community-based organizations such as community police forums, traditional leaders, traditional healers' associations, taxi associations, churches, youth formations, women and people living with disabilities amongst others.

During the period under review the municipality has initiated the payment of Out of Pocket Expenses to all the voted members of ward committees. Details are on the succeeding section.

WARD COMMITTEES

Legislative framework

Section 152 of the Constitution places the participation of communities at the centre of service delivery and other matters of Local Government.

The Municipal Structures Act of 1998 and the Municipal Systems Act of 2000 provides the legislative framework for the establishment of Ward Committees.

Section 73(3) of the Municipal Structures Act provides that:-

"a Metro or Local council must make rules regulating

- a) the procedure to elect members of a Ward Committee, taking into account the need:-
 - i. for women to equitably represented in a Ward Committee; and
 - ii. for a diversity of interests in the ward to be represented;
 - the circumstances under which those members must vacate office; and
 - the frequency of meetings of Ward Committees.

Nkomazi local municipality continues to use ward committee based system to enhance public participation. Nkomazi Municipality is made up of thirty-three (33) wards. For the period under review a total of 32 wards were successfully established and only one is outstanding – (ward 09)

Ward committees are an inclusive structure in a ward. All existing structures as per the guidelines for establishment of ward committees gets represented, this includes representation from traditional councils and all community development workers (CDW) are part of the ward committee in their respective wards.

During the third quarter of year under review all elected ward committee members, members of traditional councils seconded to respective ward committees, ward councilors, community development workers were taken to an induction workshop. The workshop was supported with content by the Mpumalanga department of Co-operative Governance and Traditional Affairs and Ehlanzeni District Municipality supported the workshop.

The induction covered the following areas

- ✓ Role clarifications
- ✓ Legislations related to public participation
- ✓ Integrated development planning
- ✓ Good governance
- ✓ Indigent policy

At the end of the third quarter of 2016/2017 the municipality commenced with the pay out of pocket expense to ward committees. Each member of the ward committee receives an amount of R500.00 per month. The municipality anticipate to make an increase of R100.00 annually in order to meet the national target of R1 000.00 per member per month.

Each ward committee have a ward operational plan (WOP). A ward operational plan is programme of action of a ward committee to guide their activities for a year and a tool to evaluate the effectiveness. Performance of a ward committee is measured against the ward operational plan (WOP).

Ward committees meet once a month to discuss ward issues and process monthly report to the municipality through the Office of the Speaker. Attending of ward committee meetings and activities are amongst the few requirements for a ward committee member to receive the out of pocket expense.

COMMENTS ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD

Public meetings are a platform aimed at achieving the following objectives:

- ✓ To enhance, consolidate and strengthen both participatory democracy, deliberative democracy and representative democracy.
- ✓ Improve faith and confidence in representative and participatory democracy
- ✓ Bring authorities closer to the public
- ✓ Develop active citizenry and a platform for civic education
- ✓ Contribute to vibrancy of democracy
- ✓ Increase community social capital through deliberative experience
- ✓ Ensure that the municipality takes community informed decision on service delivery and policy decisions

Ward committees also performs as mobilizing mechanism for public meetings and communication of municipal proposals and decisions. Communities always feel the need to be consulted and informed about the kinds of services they get from the municipality.

The Councils' Strategy on Public Participation aims to achieve an active citizen in the Nkomazi area. This is done by identifying of all stakeholders and structures within the municipality. Organized structures play a pivotal role in shaping the direction of the municipality. Members of the community are easily organized through structures such as youth, women, sports, farmers, people living with disabilities and rates payers' associations.

Traditional leaders, faith based leaders and prominent members of the community are key and strategic sources of influence in municipality.

The largest part of Nkomazi Municipality falls within authorities of traditional leaders, this then propelled the municipality bring closer traditional leaders in the operational space of the municipality. All the eight (8) Chiefs within Nkomazi are allocated seats in the municipal council and each ward committee have a representative from a traditional council.

Ward councilors are mandated by law to convene community meetings at least once a quarter, however, when a need arise community meetings can be held once a month. The Back to Basic approach of holding one meeting per month is gradually yielding positive results. For the period under review the municipality only experienced three (3) community protests. A significant decline in a number of community protests compared to the previous financial years.

Public meetings serve as a platform for the Executive Mayor to conduct a consultation on the development and or review of the integrated development plan (IDP) and budget process of the municipality.

Both the approved five-year plan (IDP) (2017-2021) and the Annual Budget for 2017/2018 went through a rigorous consultation process with communities and stakeholders within the municipality. The budget and the IDP is concrete product of successful public meetings.

The municipality should ensure that all its structures enable the public to exercise a meaningful say. Governance as a process of facilitation and ensuring the delivery of goods and services through the management of social power and relations thus includes a means of social stability and well-being through deepening democracy.

COMPONENT D: CORPORATE GOVERNANCE

1. FRAUD AND ANTI- CORRUPTION STRATEGY

1.1 FRAUD PREVENTION POLICY

This policy is intended to set down Nkomazi Local Municipality's (NKLM) stance to fraud and corruption and to reinforce existing systems, policies and procedures aimed at deterring, preventing, detecting, reacting to and reducing the impact of fraud and corruption. Furthermore, the purpose of this document is to confirm that the municipality supports and fosters a culture of zero tolerance to fraud and corruption in all its activities.

Scope of the policy

This policy applies to all allegations, attempts and incidents of fraud and corruption impacting or having the potential to impact NKLM. All employees and management of NKLM must comply with the spirit and content of the Policy

1.2 FRAUD PREVENTION PLAN

Given the nature of NKLM's mandate, the municipality must execute its responsibilities with integrity especially in its interaction with its employees, ratepayers, the public, suppliers, and partners and in the management of its resources. The Plan is premised on the organization's core ethical values driving the business of NKLM, the development of its systems, policies and procedures, interactions with ratepayers, the public and other stakeholders, and even decision-making by individual managers representing the organisation. This means that in practice all NKLM's departments and other business units and even external stakeholders must be guided by the Plan as the point of reference for their conduct in relation of NKLM.

In addition to promoting ethical conduct within NKLM, the Plan is also intended to assist in preventing, detecting, investigating and sanctioning fraud and corruption. This dynamic document details the steps, which will be continually taken by NKLM to promote ethical conduct and address fraud and corruption. The Plan takes into account the risks of fraud and corruption as identified in business risk assessments initiated by NKLM and the outcome of interviews held with NKLM's senior management. The Plan addresses strategic fraud and corruption risks that must be addressed and which could jeopardise the successful implementation of each component of the Plan.

1.3 WHISTLE BLOWING POLICY

NLM recognises the fact that-

- Unethical conduct, fraud and corruption within NLM is detrimental to good, effective, accountable and transparent governance and can endanger the economic stability of the municipality and have the potential to cause social damage;
- There is a need for procedures in terms of which employees and the public at large may, without fear of reprisals, disclose information relating to suspected or alleged unethical conduct, fraud and corruption affecting NLM;
- Every employer and employee has a responsibility to disclose unethical conduct, fraud and corruption in the workplace; and
- Every employer has a responsibility to take all necessary steps to ensure that employees and members of the public who disclose such information are protected from any reprisals as a result of such disclosure.

Objectives of the policy

The Protected Disclosure Act 26 of 2000 came into effect on 16 February 2001. In order to remain in compliance with the Act, NLM will-

- Strive to create a culture which will facilitate the disclosure of information by employees and members of the public relating to unethical conduct, fraud and corruption in the workplace in a responsible manner by providing clear guidelines for the disclosure of such information and protection against reprisals as a result of such disclosure; and
- Promote the eradication of unethical conduct, fraud and corruption within NLM.

The Policy is intended to encourage and enable employees and the public at large to raise concerns within NLM rather than overlooking a problem or blowing the whistle to inappropriate channels.

Furthermore, the policy aims to-

- Provide avenues for employees and members of the public to raise concerns and receive feedback on any action taken;
- Inform employees and members of the public on how to take the matter further if they are dissatisfied with the response; and
- Reassure employees and members of the public that they will be protected from reprisals or victimization for whistle blowing in good faith.

1.4 PUBLIC SATISFACTION

The public participation policy of council still provides that the Customer satisfaction survey be done in December each year. The timing of the policy in relation to survey still imposes a challenge in terms of implementation.

CHAPTER 3: SERVICE DELIVERY PERFORMANCE

SECTION 1: FUNCTIONAL AREA SERVICE DELIVERY REPORTING PER BUSINESS UNIT

1. COMPONENT A: INFRASTRUCTURE SERVICES

1.1 WATER SERVICES

INTRODUCTION TO WATER PROVISION

Nkomazi Local Municipality is an authorised Water Service Provider and Water Service Authority and its goal in water provision is in line with the relevant sections of the Water Services Act (No 108 of 1997). The main objective is to ensure that every consumers or potential consumers in the Nkomazi area of jurisdiction progressively receive efficient, affordable, economical and sustainable access to water services. The municipality is faced with a number of challenges such as population growth which affects provision of water services mostly in the rural areas. The municipality continues to implement a number of projects to adress backlogs, ageing infrastructure and water conservation/water demand management.

The proportion of households with minimum level of water service is indicated below:

	Services	Total No of HH	No of HH with access	%	No of HH without access	%
2011 Statistics						
Nkomazi LM	Water	96 202	77 829	81	18 373	19
2016 Stats SA Community Survey						
Nkomazi LM	Water	103 965	82 299	79	21 666	21
Additional Households after 2011 statistics are 7 763 HH						

The municipality has a total of thirty (26) boreholes that are curently functional. About eight (8) boreholes are non function and are planned to be refurbished next financial year. In addition to improving water supply, the municipality uses ten(11) of its water tankers to supplement water supply in areas with high backlogs.

The municipality has the following service delivery priorities on water services:

- ◆ Operate and maintain water infrastructure for sustainable service delivery
- ◆ Improve access to basic water services through ugrading of water infrastructure to meet current and future demands
- ◆ Provison of clean water that complies with Blue Drop status
- ◆ Refurbishment of existing old infrastructure to improve performance

To minimize water losses to improve water use efficiency (Water Conservation ad Water Demand Management - WCWDM)

Table 3.1.1: Water Service Delivery Levels

Description	Households		
	2014/15	2015/16	2016/17
	Actual No.	Actual No	Actual No
Water: (above min level)			
Piped water inside dwelling and Inside yard	55 535	56 081	62 776
Standpipe less than 200m	13 027	19 498	19 523
<i>Minimum Service Level and Above sub-total</i>	68 652	75 579	82 299
<i>Minimum Service Level and Above Percentage</i>	68.1%	75%	79%
Water: (below min level)			
More than 200m from dwelling	10 437	2 250	2 225
No water supply	21 657	22 917	19 441
<i>Below Minimum Service Level sub-total</i>	32 094	25 167	21 666
<i>Below Minimum Service Level Percentage</i>	32%	25%	21%
Total number of households*	100 746	100 746	103 965*
* - Households increase based on the 2016 Stats SA Community Survey			
*- Includes new additional households that emanated after the 2011 census (2016/17 Stats SA)			

Water services below minimum:

Households – Water Service Delivery Below the Minimum					
Description	2015/16	2016/17	Original Budget 2016/17	Adjusted Budget 2016/17	
	Actual No.	Actual No.			
Total Households (Formal + Informal Settlements)	100 746	103 965	188,103,489	R214 152 866	
Households below minimum service (Formal + Informal)	25 167	21 666*			
% Households below minimum service level	25%	21%			
*- Backlog on water supply service					

Table 3.1.2: Water Service Delivery Levels

Water Service Objectives						
Service Objective <i>Service Indicator</i>	Indicator	2015/16		2016/17		Following Year 2017/18 Targets
		Target	Actual	Target	Actual	
Service Objective: Improve access to basic quality, sustainable and reliable water service						
HH with minimum water supply (25917HH).	No of additional households provided with minimum water supply during the year.	7267 HH	5149 HH	5674 HH	4791HH	4 500 HH
Improve reliability of water supply	Amount of budget spent on operation and maintenance of water infrastructure	R7 187 001	R6 872 921	6 872 921	6 872 921	3% of the total value of fixed assets
Improve on quality of water supplied	% of Blue Drop status achieved	40% Blue Drop Score	51.47% Blue Drop Score	70% Blue Drop Risk Rating	Results not yet released by DWS	55% Blue Drop Score
Water Conservation & Water Demand Management	% Reduction in water losses	40% Water losses	36% Water losses	2% Reduction in water losses by 30 June 2017 from 36% to 34%)	3.5%	32% Water losses (2% reduction in water losses)

Table 3.1.3: Water Service Employees 2016/17

Employees: Water Services (Budgeted for)						
Job Task Level	Post Description	2015/16		2016/17		
		No of Employees Currently	Vacancies (Full Time)	No. of Employees Currently	Vacancies (Full time)	Vacancies (% of total posts)
TL 17	Manager Water & Sanitation	1	0	1	0	0.00%
TL 14	Senior Superintendent	5	0	5	0	0.00%
TL14	Water Quality Officer	1	0	1	0	0.00%

TL12	Water Conservation & Demand Technician	0	1	1	0	0.00%
TL 12	Superintendent	5	1	5	1	0.35%
TL 11	Foreman	19	2	21	0	0.00%
TL 10	Plant Supervisor	2	0	2	0	0.00%
TL 10	Laboratory Technician	0	1	1	0	0.00%
TL 10	Snr Admin Clerk	1	0	1	0	0.00%
TL 9	Special Workman	1	0	1	0	0.00%
TL8	Admin Clerk	3	0	3	0	0.00%
TL 7	Drivers (Water Tankers, TLB), Receptionist	15	2	16	1	0.35%
TL 6	Process Controllers	96	5	98	3	1.05%
TL 6	Drivers (Tractor)	2	0	2	0	0.00%
TL 4	Plumbers	22	0	22	0	0.00%
TL3	Pump Operators / Attendants	54	0	53	1	0.35%
TL1	Plumber Assistants, General Workers	54	14	52	33	11.5%
Total		281	26	285	39	13.7%

The municipality has filled most of the vacant post within the water services section during the 2016/17. The current vacancy rate is due to the deceased, retired and employees appointed in other positions however, the municipality is working on filling these posts.

Table 3.1.4: Financial Performance 2016/17 – Water Services

Water Services Financial Performance					R'000
Details	2015/16	2016/17			
	Actual	Original Budget	Adjusted Budget	Actual	Variance to Budget (%)
Total Operational Revenue (Excl. Tariffs)	-142 995 093	-167 792 702	-125 754 072	-142 995 093	8.6%
Expenditure:					
Employees	73 269 960	56 419 004	56 419 004	73 269 960	29.8%
Repairs & Maintenance	6 872 921	7 187 001	6 872 921	6 872 921	-4.3%
Other	62 852 212	59 858 535	62 148 067	62 852 212	5.0%
Total Operation Expenditure	142 995 093	123 464 540	125 439 992	142 995 093	

Table 3.1.5: Capital Expenditure 2016/17 (MIG & WSIG) – Water Services

Capital Projects	Type	2016/2017(R)	
		Total Budget	Total Expenditure
BULK WATER SUPPLY & RETICULATION PROJECTS			
Louville Water Treatment Plant	Multi year	1,969,413	1,969,413
Block B (Nkanini) Water Reticulation (15km)	Multi year	17,608,497	17,608,497
Mzinti bulk water supply upgrade (From 200AC to 500 UPVC) 4km	Multi year	14,805,756	14,805,756
Mandulo Bulk Water Supply	Multi year	4,554,635	4,554,635
Gravity Main Malelane	Multi year	2,072,900	2,072,900
Upgrading of Raw Water, Filters and Clarifiers (komatipoort)	Multi year	5,564,602	5,564,602
Upgrading of Existing WTW (hectospruit/ Mjejane)	Multi year	1,839,703	1,839,703
Rising main Malelane	Multi year	2,637,100	2,637,100
Upgrading of Existing WTW and Reservoir Marloth Park	Multi year	5,800,000	5,800,000
Construction of 2ML Reservoir, Upgrading and Refurbishment of WTW (Malelane)	Multi year	5,490,000	5,490,000
Upgrading of Reservoir and Extension of Reticulation (Ericksville; Lusaka)	Multi year	11,652,036	11,652,036
(2ML ground reservoir Mandulo)	Multi year	255,678	255,678
(2ML ground reservoir Joe Slovo)	Multi year	2,041,429	2,041,429
(2ML ground reservoir Mdladla)	Multi year	1,589,629	1,589,629

Upgrading of rising main (2km)	Multi year	2,079,583	2,473,812
Masibekele			
TOTAL		74,470,961	74,470,961

COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

The municipality has successfully implemented the MIG and WSIG grants and was able to reduce the backlog on water supply by 5,708(HH) which were connected with water supply. The municipality successfully implemented most of the projects that were planned for the 2016/17 financial year and increased access to basic water supply to communities.

Overall Achievements

- The municipality managed to reduce its backlogs from 25% from the previous financial year to 21% in the current financial year and connected 5 708HH.
- The municipality through its maintenance budget managed to repair and connect old network in Jeppes Reef zone 10 where the community was without water supply for more than 5 years due to aged infrastructure
- The municipality is continuing to implement refurbishment projects for the water treatment plants in order to improve and achieve Blue drop status at the plants
- The municipality improved water supply at Mbuzini community from once per week to three times a week
- A new mobile water pump was procured, in order to ensure continued service delivery during water interruptions and drought periods.
- Throughout the financial year the municipality adopted War on water leaks students recruited by DWS a Nkomazi which are trained within the municipality for the reduction of water leaks.

Challenges

- The challenge of unauthorized connections (illegal connections) and damage of water infrastructure still faces the community of Nkomazi and have negative impact on water supply.
- Ageing infrastructure is one of the challenge faced, however the implementation of various refurbishment projects in municipality (e.g. WTW refurbishment, replacement of AC pipes)
- Most of the water treatment plants are operating above their capacity due to growth demands (e.g. Driekoppies, Sibange, etc), however the upcoming RBIG bulk water supply upgrade projects for the next financial years is aimed at addressing that challenge
- More demand of water supplies is experienced in the rural areas where supply is through water tankers, and the municipality is faced up with challenge of shortage of water tankers as well as ageing of water tankers
- Shortage of TLBs for maintenance
- Shortage of staff for operation on newly created infrastructure

1.2 SANITATION SERVICES/ WASTE WATER PROVISION

INTRODUCTION TO SANITATION PROVISION

Sanitation is regarded as dignity for our communities and as such the municipality is progressively moving towards provision of efficient, affordable, economical and sustainable access to sanitation services to all its consumers, as a result a number of sanitation projects are implemented. Full water borne sanitation is provided in the urban towns of the municipality (i.e. Malelane, Hectorspruit, Komatipoort, part of Tonga) while convertible sanitation toilets are implemented in the rural areas of the municipality. The municipality is progressing well towards improvement in Green drop performance in terms of wastewater management.

The proportion of households with minimum level of water service is indicated below:

	Services	Total No of HH	No of HH with access	%	No of HH without access	%
2011 Statistics						
Sanitation		96 202	65 485	68	30 717	32
2016 Stats SA Community Survey						
Sanitation		103 965	97 504	94	6 461	6
Additional Households after 2011 statistics are 7 763HH						

The table below indicate the status of wastewater schemes in Nkomazi.

Category	Description	Comments
Sanitation		
No of Wastewater Treatment Plants	5	All WWTW are managed and operated by municipality in accordance with the Department of Water & Sanitation Green Drop standards
Functional WWTW	5	
Non-Functional WWTW	0	

The municipality has the following service delivery objectives on sanitation services:

- ◆ To operate and maintain wastewater infrastructure for sustainable service delivery
- ◆ To upgrade & refurbish sewer infrastructure to meet current and future demands & Improve performance
- ◆ Reduction of backlogs on sanitation to improve sanitation provision
- ◆ Management of sewer treatment systems to comply with Green Drop status

Table 3.2.1: Sanitation Service Delivery Levels

Description	Households	Households	Households
	2014/15	2015/16	2016/17
	Actual No.	Actual No.	Actual No.
<i>Sanitation / Sewerage: (above min level)</i>			
Flush toilet (connected to sewerage system)	7 317	7 317	7 317
Flush toilet (with septic tank)	2 867	2 867	2 867
Pit toilet with ventilation (VIP & Convertible Sanitation)	26 276	29 026	29 346
Pit toilet without ventilation	39 920	39 920	54 236
Chemical toilet	3 735	3 735	3 735
<i>Minimum Service Level and Above sub-total</i>	80 115	82 865	97 501
<i>Minimum Service Level and Above Percentage</i>	79.5%	82.3%	93.8%
<i>Sanitation / Sewerage: (below min level)</i>			
Other (Below min-level)	2 710	2 710	2 710
No sanitation services	17 921	15 171	3 751
<i>Below Minimum Service Level sub-total</i>	20 631	17 881	6 461
<i>Below Minimum Service Level Percentage</i>	20.5%	17.8%	6.2%
Total number of households*	100 746	100 746	103 965*
* - Include informal settlements			
*- Include new additional households (Stats SA 2016 CS)			

Sanitation services below minimum:

Households – Sanitation Service Delivery Below the Minimum					
Description	2015/16	2016/17	Original Budget 2016/17	Adjusted Budget 2016/17	
	Actual No.	Actual No.			
Total Households (Formal + Informal Settlements)	100 746	103 965	R35,000,000	R6,886,400	
Households below minimum service (Formal + Informal)	17 881	6 461			
% Households below minimum service level	17.8%	6.2%			

Table 3.2.2: Sanitation Service Delivery Levels

Service Objective; Service Indicator	2015/16		2016/17		Following Year 2017/18 Targets
	Target	Actual	Target	Actual	
Number of households with access to basic sanitation services	1800 HH	1830 HH	320 HH	320 HH	2400 HH
% of Green Drop status achieved	80%	78.8% Green Drop Rating	80% Green drop status	Results not yet released by DWS	60% Green Drop Green Drop Risk Rating

Table 3.2.3: Sanitation Service Employees 2016/17

Employees: Water Services					
Job Task Level	Post Description	2016/17			
		No. of Employees Currently	Posts Filled No.	Vacancies (Full time & no budget)	Vacancies (% of total posts)
TL 6	Sewer Process Controllers	13	12	1	7.14%
TL 3	Labourers/General Workers	1	1	10	71.4%
Total		14	13	11	78.6%

The municipality lacks sufficient staff specifically for the sanitation as water service staff is also responsible for sanitation services. This is putting more pressure in the service delivery; however, through the new approved organogram and availability of budget thereafter such gaps will be filled.

Table 3.2.4: Financial Performance 2016/17 – Sanitation Services

Sanitation Services Financial Performance				R'000
Details	2016/17			
	Original Budget	Adjusted Budget	Actual Expenditure	Variance to Budget (%)
Total Operational Revenue (Excluding Tariffs)	-4 285 107	-4 285 107	-4 285 107	0%
Expenditure:				
Employees	850 134	850 534	1 104 480	30%
Repairs & Maintenance	2 262 926	2 156 272	1 998 859	-12%
Other	293 960	286 039	231 183	-21%
Total Operation Expenditure	3 407 020	3 292 445	3 334 523	-2.1%

Table 3.2.5: Capital Expenditure 2015/16 (MIG and RHIG) – Sanitation Services

Capital Projects	Type	2016/2017 (R)	
		Total Budget	Total Expenditure
SANITATION PROJECTS			
Mangweni Sanitation Project:	Annual	4 500 000	4 473 389
TOTAL		4 500 000	4 473 389

COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:

The municipality has successfully achieved its target in terms of sanitation. The Human settlement grant was successfully implemented and assisted in reducing the current sanitation backlog. After the Stats 2016 community survey it was evident that the sanitation backlog decreased from 17.8% to 6.2%.

The municipality is also focusing on improving its Green Drop status and awaits the report from the Department of Water and Sanitation to be released.

Challenges:

- ◆ The municipality faced challenges of growth and demands at the urban towns especially Malelane and Komatipoort due to the major developments taking place which calls for upgrade of the bulk sewer systems at these towns to accommodate future developments

- ◆ The municipality currently operates with one older honey sucker which reduce service delivery efficiency, there is a need to procure a honey sucker which is planned for next financial year.
- ◆ The wastewater treatment plants requires refurbishment to improve their performance in terms of effluent wastewater quality.

1.3 ELECTRICITY

Nkomazi Municipality together with ESKOM is the Licensed Authorities for the Nkomazi jurisdiction as issued by the National Electricity Regulator of South Africa. Although the licenses are the same, the areas of supply are not the same. Nkomazi Municipality is mainly responsible for the formal towns and ESKOM for the rural townships and areas. There are also regions where the areas of supply overlap each other and the Regulator was requested to act as mediator to resolve the dispute.

Electricity Service Delivery Levels T3.3.3		
Description	Actual 2016/2017	
Number of households	103 965	
Number of households with access to electricity	101 556	
Number of households without access to electricity	2 409	
Number of households within area of supply with access to electricity	5 469	
	Conventional	Pre-paid
	1 802	3 667
Number of indigent households with access to electricity.	12 593	
Number of indigent households with access to FBE.	12 593	
Number of new households provided access to electricity services through Integrated National Electrification Grant (INEG)	695	

Table 3.2.3: Electrical Services Service Employees 2016/17

Employees: Electrical Services			
Task levels	Current funded	Vacant funded	Vacant not funded
T17 (Manager)	1	-	-
T14 (Snr Superintendent)	2	-	1
T12 (Superintendent)	4	-	1
T10 (Electrician)	12	2	-
T10 (Operational Officer)	0	1	1
T9 (Snr Team Leader)	-	-	-
T9 (TLB Operators)	1	-	-
T8 (Team Leader)	2	-	-
T7 (Driver)	4	-	-
T3 (Electrical assistant)	-	-	-
T1 (Laborer)	22	-	-
Total	48	3	3

Table 3.2.5: Capital Expenditure 2016/17 (INEG) – Electrical Services

Capital Projects	Type	2016/2017 (R)	
		Total Budget	Total Expenditure
ELECTRICITY PROJECTS			
Improve access to electricity services	Annual	R 9 000 000	R 9 000 000
TOTAL		R 9 000 000	R 9 000 000

Table 3.2.5: Capital Expenditure 2016/17 (Revenue) – Electrical Services

Capital Projects	Type	2016/2017 (R)	
		Total Budget	Total Expenditure
ELECTRICITY PROJECTS (MAINTANACNE)			
Improve access to electricity services (upgrading of existing substations)	Annual	4 000 000	3 312 851
Marloth park Electrification	Annual	1 200 000	666 677
Eskom bulk upgrade	Annual	5 000 000	332 182
Installation of high voltage ring supplies	Annual	1 000 000	460 496
TOTAL		R 11 200 000	R4 772 206

COMMENT ON ELECTRICAL SERVICES PERFORMANCE OVERALL

The electrical section is a fully functioning section utilizing both the capital and operational budget to the fullest. All current infrastructures are being operated and maintained. New infrastructure is created according to the demand.

Internal Challenges:

- ✓ Shortage of personnel
- ✓ Shortage of vehicles
- ✓ Shortage of funding for maintenance a preventative maintenance.

External challenges:

Co-operation from ESKOM, especially when it comes to bulk supply upgrades, payments and cut offs.

1.4 ROADS AND STORM WATER

The road section continues to address the backlog of gravel roads and upgrading the main bus route. An attempt is made every year to upgrade the bus routes by 8km, a programme is in place to upgrade the bus routes, the roads department has got a planned programme to continuously maintain the gravel roads in all the wards.

Table 3.2.3: Roads and storm water Service Employees 2016/17

Employees: Roads and storm water services			
Task levels	Current funded	Vacant funded	Vacant not funded
T17 (Manager)	1	-	-
T14 (Snr Superintendent)	1	-	-
T12 (Superintendent)	4	-	-
T12 (Admin officer)	1	-	-
T11 (Foreman)	6	-	-
T10 (Special works man)	5	-	-
T 10 (Load bed driver)	1	-	-
T 9 (Hire up driver)	1	-	-
T 8 (admin clerk)	1	-	-
T8 (Team Leader)	5	-	-
T 7 (Receptionist)	0	1	-
T 7 (Grader operator)	8	-	-
T7 (Driver)	12	-	-
T7 (Load bed driver)	1	-	-
T7 (TLB operator)	3	-	-
T7 (Messenger)	1	-	-
T6 (Store person)	2	-	-
T1 (Grader Assistance)	2	-	-
T1 (Road worker)	69	-	-
Total	130	1	-

Table 3.2.4: Capital Expenditure 2016/17 (MIG) – Roads and storm water Services

Capital Projects	Type	2016/2017 *	
		Total Budget	Total Expenditure
ROADS AND STORM WATER PROJECTS			
Boschfontein bus route	Multi-year	15,264,267	18, 673, 685
Nkungwini bus route	Multi-year	8,174,823	11, 874, 258
Schulzendal bus route	Multi-year	22,813,302	21, 718, 002
Durban bus route	Multi-year	12,604,202	24, 980, 291
Driekoppies bus route	Multi-year	5,259,715	5, 673, 238
Mafambisa bus route phase 2	Multi-year	3,897,034	4, 123, 319
TOTAL		68,013,347	87, 042, 793

Table 3.2.5: Revenue Expenditure 2016/17 – Roads maintenance

Capital Projects	Type	2016/2017 *	
		Total Budget	Total Expenditure
ROADS AND STORM WATER PROJECTS (Maintenance)			
Improve Municipal road network	Multi-year	4 000 000	4 000 000
TOTAL		4 000 000	4000 000

COMMENT ON ROADS AND STORMWATER SERVICES OVERALL PERFORMANCE:

The municipality has achieved its target in terms of roads and storm water on all projects were completed within the planned time and within set budget. The municipality also continued with its programme on upgrading and maintenance of roads with the vision of reducing the high backlog of gravel roads. In 2016/17 financial year the municipality planned 7km and managed to construct about 17.7km on roads including the storm water. The maintenance of roads networks for the 2016/17 financial year was 265km.

COMMUNITY FACILITIES

The department of community services is responsible for the provision of maintenance and cleaning of municipal facilities. Infrastructure department under project management unit is responsible for the construction new facilities and upgrading thereof.

The strategies are as follows:

- Implementing programmes to upgrade and maintain existing municipal buildings and facilities.
- Constructing new facilities for enhanced service delivery
- Construction of facilities closer to the communities

The service delivery priorities are to interact smoothly with the community and other departments without disturbance to ensure accurate implementation of planning and maintenance of municipal buildings while adhering to the National Building Regulations Act.

Table 3.2.5: Capital Expenditure 2016/17 (MIG projects – Community facility)

Capital Projects	Type	2016/2017 (R)	
		Total Budget	Total Expenditure
Mangweni Sports Facility	Multi-year	R 2,087,827	R 2,087,827
Upgrading of Mbuzini Stadium	Multi-year	R 605,385	R 605,385
Boschfontein Community Hall	Multi-year	R 9,869,740	R 9,869,740
Block B Community Hall	Multi-year	R 10,965,795	R 10,965,795
Upgrading of Driekoppies Stadium	Multi-year	R 1,023,625	R 1,023,625

TOTAL	R 24,552,372	R 24,552,372
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COMMENT ON COMMUNITY FACILITY PERFORMANCE OVERALL:

The current year target for community facilities has been exceeded, even-though these are multi year projects but the annual target was to reach 78% of the overall stage of completion for all the projects and the actual percentage of actual work completed was at an average of 90% for all projects. These projects are still budgeted for in the next financial year and will be completed in 2017/18.

2. COMPONENT B: PLANNING AND DEVELOPMENT

2.1 PLANNING

Introduction

Spatial Planning:

This focuses on forward planning in terms of development and growth coupled with policy development and review. All land use application must be supported by this unit prior to submission to the Municipal Planning Tribunal. All policies in relation to land development are maintained and amended by this section through either in-house compilation or private consultants' compilations this includes the Land Use Management System, SDF, Framework plans and other related policies.

Land use Management:

This section of Land use management deals with the regulation of land use change reports, Township Establishment, Rezoning, Subdivision and Consolidation, Special Consent, Temporal and Written Consent. Furthermore, day to day advice to the Public remains the core function of this unit.

The main Planning strategies for the Department are as follows:

- Regulation of Land uses and Building activities through enforcement of the Spatial Development Framework and development of the new wall to wall Scheme; which will be promulgated, as well as the National Building Regulations and Building Standards Act 103 of 1977, and other relevant Policies
- Promoting the historically segregated Spatial Planning of Settlements.

Spatial Planning and Land Use Management Act no: 16 of 2013

The main objectives of this Act are to:

1. Provide for a uniform, effective and comprehensive system of Spatial Planning and Land Use Management for the Republic.
 2. Ensure that the system of Spatial Planning and Land Use Management promotes Social and Economic Inclusion
 3. Provide for development principles and norms and standards
 4. Provide for the sustainable and efficient use of Land
- The Nkomazi Spatial Planning and Land Use Management By-Law was gazetted on the 01st of December 2015, and the Land Use Planning Section is receiving application lodged in terms of SPLUMA.

In line with the above-listed strategies the following were achieved:

- The Transferring of land in order to Formalise and develop integrated Human Settlements on Portion 2 of the farm Symington, 186 JU, from the Mjejane Trust in favour of the Municipality.

- Seven (7) notices were issued to Applicants who have transgressed and built without approved building Plans
- The collection of R 61 506.72 for the Bulk Services Contribution
- The declaration of Malelane Township as a restructuring zone, which will promote aggressive Human Settlements interventions to be able to accommodate the needs of the developing Town.

LAND USE APPLICATION RECEIVED AND PROCESSED FOR 2016/2017				
LAND USE APPLICATION	REZONING	SUB-DIVISION	CONSOLIDATION	SPECIAL CONSENT
TOTAL NUMBER OF APPLICATION	11	07	06	15
TOTAL APPLICATION FEES RECEIVED	R 54 914.20	R 3 575.53	R 3 064.74	R 18 970.80
BULK SERVICE CONTRIBUTION	0	R 61 506.72	0	0
TOTAL	R 54 914.20	R 65 082.25	R 3 064.74	R 18 970.80

All costs are vat exclusive

COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL

- Two Formalisation settlements to restore the dignity of the farm workers residing at Mkwaru-kwaru and Stentor.
- Township Establishment and the development of integrated Human Settlements for Kamhlushwa Ext 2 and 3 and Mjejane.
- The finalisation of the Township establishment for Komatipoort Extension 20 [Proposed SEZ].
- The formalisation of Mangweni Village to accommodate the Integrated Energy Centre, that will be constructed by Sasol

Challenges encountered and recommendations

1. Illegal land use activities
 - The root cause is enforcement of the town planning scheme, it is therefore recommended that the municipality appoint the land use control officers to conduct regular inspection and monitor compliance with applicable legislation.
2. Proper regulation and control outdoor advertising.
 - It is recommended that the municipality should review the outdoor advertising by-law
 - Appoint additional staff to assist with monitoring of outdoor advertising.
3. Lengthy process for the Formalisation of informal settlements
 - Root cause is the release of state land, it is recommended that the municipality engage with the department of rural development to expedite the process of releasing the state land.

2.2 LOCAL ECONOMIC

The Local Economic Development is a Unit under the Planning and Development Department of the Nkomazi Local Municipality.

The Unit Comprises of the following staff members:

Position	Number of Staff
Manager LED	1
Chief LED Practitioner.	1
LED field workers	3
Licensing Officer	2

LED Stakeholder's Forum:

- The Local Economic Development forum has been established and is functioning well. This Forum sits four (4) times a year. (a meeting was held to again take through members of the LED Forum through Terms of References , the meeting was also addressed on the state of the
- The LED forum has established the following subcommittees:
 - o Agricultural
 - o Transport
 - o Tourism
 - o Manufacturing
 - o Mining
 - o Trading
- One Local Economic Development stakeholders forum was held for the 2016/17 financial year, where SMME's, Cooperatives, sector departments and Business met to engage on LED issues

Hawkers:

- Hawkers stalls have been upgraded which benefits 16 hawkers. (6 at the Tonga Hawkers stalls and 10 at the Mzinti hawkers' stalls.)
- 20 Hawkers from Komatipoort benefited in projects where they were given equipment to enable them to carry their work with ease.
- Two mobile hawkers stalls have been built for Malelane hawkers (it caters for 5 hawkers)
- A total of 20 hawkers (from Tonga ,Kamaqhekeza,, Schoemasdal and Komatipoort) were capacitated through a training programme covering the following modules:
 - o Dynamics of Small Business Management
 - o Managing your money
 - o Marketing your Business

- o Basics of selling

Community Works Programme (CWP)

- This programme has benefited: 1 950 people for the 2016/17 financial year. (This includes the 400 participants allocated to the Traditional Authorities across the municipality.)
- The Local Reference Committee (LRC) is sitting quarterly

Mentoring programs:

- Likusasa Letfu Leather fern: The LED unit is mentoring these famers together with EDM. There is since progress on the farm and there are 30 beneficiaries.
- The Matsamo Traditional Centre is also monitored by the unit. They have won the best practice in the Cooperative category in the Ehlanzeni District Municipal area.
- The Siyavuya Farming Cooperative is also monitored by the Unit; they have won best practice in Agriculture in the Ehlanzeni district. Area

2.3 HUMAN SETTLEMENT

The right to adequate human settlements is enshrined in the Constitution of South Africa (Act 108 of 1996) it states that everyone has the right to have access to adequate housing and that the state must take reasonable legislative and other measures within its available resources to achieve the progressive realisation of this right. Adequate housing is measured in terms of certain core factors including legal security of tenure, the availability of services, materials, facilities and infrastructure, affordability, accessibility and location.

Nkomazi Local Municipality is experiencing a high population growth, which results in the influx of people from the rural areas into the urban parts of the Municipality. This influx has necessitated an increase in the provision of housing and other basic services that promote integrated sustainable human settlements.

In contributing towards the achievement of outcome 8 objectives and building of Integrated Sustainable Human Settlements, the Municipality is in the process of reviewing the Housing Chapters which is a project that will be undertaken externally, by a consultant, due to internal capacity constraints and is set to be completed mid 2017/2018 financial year. The document will guide the Municipality on Human Settlement development, and also assist in creating access to adequate housing opportunities for the "Gap Market", which will cater for the income bracket between R3501 – R15 000.

The Municipality has also embarked on a number of Human Settlements and Formalisation projects through the Land Use Planning Section in order to address the Human Settlements needs in the "informal towns". Other projects such as Mjejane Proposed Township, +/- 3000 sites, and Kamhlushwa Ext 2 and 3 will be undertaken in the 2017/2018 financial year, it will co-funded by the Municipality and the Department of Human Settlements.

The Human Settlement waiting list was adopted during the 2013/2014 financial year, and it is updated yearly currently there are ± 8400 beneficiaries that were registered on the National Housing Demand

Database System of the Municipality. The number has slightly decreased because of the number of allocations that were received as an intervention to address the backlog on the system. The Human Settlements unit will aim to refine this information and to include the other different programmes that are offered by the Department in order to have a list that is inclusive of all beneficiaries that are in need of housing/shelter, Social Housing/ Rental Stock, caters for your "Gap Market" and for those that are in need for just serviced stands.

The Department of Human Settlements purchased a piece of Land for the Municipality, for the purposes of addressing the serious challenges of land shortage for Human Settlement purposes, in urban areas, it is known as Malelane Extension 21, this land is ideally located within Malelane Township. It will provide ± 300 fully serviced Residential 1 stands, ± 10 Residential 3 stands, which will cater for the rental stock, and other economic, and medical facilities.

Through the HDA, and other Provincial Departments, the Municipality will undertake the process of acquiring more land to cater for the different needs of the Consumers/beneficiaries.

The Municipality is currently working towards attaining level one accreditation. The business plan will be compiled and submitted, as soon as the Human Settlement unit is fully functional, with the required capacity as per the requirements of obtaining level one accreditation.

HOUSING ALLOCATION 2014-2017

Year end	Total households (Including in formal and informal settlements)	Households in formal settlements	Households informal settlements
2014/2015	310	0	310
2015/2016	400	0	400
2016/2017	423	0	423

3. COMPONENT C: COMMUNITY SERVICES

3.1 WASTE MANAGEMENT

INTRODUCTION

The municipality has continued to promote the culture of clean environment. Additional refuse removal trucks have been procured to extend the solid waste management services to the communities of Nkomazi. In addition the standardization of household waste receptacle is continuing with the roll-out of the 240l bins in the various streets of the urban areas. The provision of waste management services mainly focusing on:

- Waste collection (formal households which includes RDP houses)
- Waste collection in informal settlements
- Street sweeping (in central business area, industrial areas),
- Litter picking,
- Operationalisation and Maintenance of a network of Waste Management Facilities i.e. Public off-Loading, Transfer Stations and Landfill sites.

Nkomazi has made remarkable strides in the provision of services to the communities as the construction of the two transfer stations is in progress. In the current year the municipality was a runner up in the Provincial Environmental awards. The cleanest schools competition which contributes to the overall waste management goals of the municipality continued during the year. Some of the achievements and challenges are discussed below.

PERSONNEL:

Libraries staff

Position	No of personnel
Manager	1
Admin Clerk	1
Senior Librarian	1
Librarians	4
Library Assistants	3
General Workers	2
Cleaners	4
Cyber Cadet (IT Contract)	1
EPWP Contract (DCSR)	6

Parks and Cemeteries

Position	No of personnel
Parks and Cemetery Officer	1
Team Leaders	2
Tractor Drivers	2
TLB Operator	1
General Workers	24
Cleaners	13

Sports

	No of personnel
Sports Officer	1
Sports Organizer	2

SUB- SECTION: PARKS AND CEMETERY

- Responsible for cleaning and clearing parks and cemeteries
- Responsible for cleaning and maintenances municipal offices and facilities: eg stadium and Community Halls
- Responsible for greening and beautification of Nkomazi and its strategic areas.

ACHIEVEMENTS

- Revenue collection from facilities increased (Community Halls and Stadia)
- Abor day was celebrated September 2017 at Jeppes Reef Community Hall
- Mangweni, Mbuzini and Driekoppies stadia still under upgrade
- Boschfontein and Block B community halls under construction

CHALLENGES

- Vandalisation of fence by the Community (Naas and Kamhlushwa Cemeteries)
- Shortage of working equipment/ tools (TLB & Bobcat)
- Insufficient budget for facilities maintenance
- Extension of service to tribal villages (digging of graves)

RECOMMENDATIONS

- Grave yard should be fenced with concrete palisade to all serviced cemeteries
- At least 02 Bobcat to be purchased for cemeteries
- Maintenance budget for facilities to be increased.
- The municipality to have a site whereby gigs and events will be held, to prevent stadia to be damaged.

-

INTRODUCTION - LIBRARIES

- To make books and other related materials available to all members of the public
- To raise the cultural, educational and intellectual status of the community
- To provide supplementary information material to those who are taking formal education
- To preserve books and other library material for future generations
- To make information electronically available for the public
- Nkomazi Local Municipality Libraries consist of 7 fully operational libraries situated in the following areas:
 1. Emtfuntini P. Library
 2. Kamaqhekeza P. Library
 3. Kamhlushwa P. Library
 4. Komatipoort P. Library
 5. Malelane P. Library
 6. Mbuzini P. Library
 7. Somuhle Community Library
- One Library (Kamaqhekeza) is offering the MINILIB service (Library for the Blind people). 5 Libraries are in rural areas and 2 in urban areas. Libraries are open from 07h30 – 16h00 Monday to Friday allowing the public to freely access to information. By using our libraries people are able to educate, advance themselves and make informed decisions in their daily lives. School children, students, and different stakeholders make use of the facilities on daily basis.

ACHIEVEMENTS

- Programs were conducted using the LIASA calendar and national calendar:
- Mandela Month Celebration (Visited orphanage home, Old aged Home)
- Woman's Day (Indoor Displays)
- International Book Day – Readathon (Debate and speech completion)
- Literacy Week (outreach campaign)
- Heritage month Celebration
- World Aids Day
- Back to School campaign (School visits and library orientations)
- Library week (outreach, debates and speech competition)
- World Book Day (Outreach campaign)
- MINILIB Awareness Campaign and Monthly meetings
- Youth Month Celebration
- Services :
 - Free Access to Internet to all members of the public
 - Free Wi-Fi connection
 - Membership: New members in all the libraries – 167
 - Total Number of membership in all the libraries – 2074
 - Circulation of Library Material: 29347 books were circulated in all the libraries
 - Membership For MINILIB – 25 members
- Support staff from DCSR (EPWP Contracts)
- Libraries renovated (Emtfuntini and Mbuzini)

- 6 Refrigerators, 7 water Dispensers, 7 micro ovens, 7 kettles
- 4 new computers were added for Kamhlushwa
- 1 camera and 1 projector for all the libraries

CHALLENGES

- Shortage of staff which makes it difficult for staff to be effective, more especially in terms of marketing and outreach programs
- Maintenance of libraries is not a priority
- Small library space without space for new furniture, study area and children's area that makes it difficult for the users to study
- Air conditioners not working
- Shortage of computers in libraries
- Very slow network
- No telephones in 3 libraries (Emtfuntini, Mbuzini and Somuhle)
- Very old furniture in some of the libraries

RECOMMENDATIONS

- At least a library should have a qualified librarian, library assistant a cleaner and a general worker
- Maintenance, staff capacitating, transport, furniture, marketing material should be budgeted for
- Installation of telephone lines for the libraries
- Budget for new computers and air conditioners

SPORTS

- Talent Identifications programmes in different sporting codes.
- Supporting programmes of other stakeholders: e.g Selati cup, Schools sport and old age programmes (golden games) funded by DSD, disables sports programmes funded by Ehlanzeni district municipality
- Developing a good working relationship with other stakeholders
- Annual mayoral sports development tournament

ACHIEVEMENTS

- Nkomazi municipality is often approached by international, National and Provincial sports federations to host major events/workshops in the municipality
- Nkomazi 5km's Park Run which take place every Saturday at Tonga Sugar cane farms and it attracts local, Provincial, National, and International athletes. (the program is monitored by the multi gold medallist of the Comrade marathon Bruce Fordyce)
- We successfully hosted the prestigious Mayoral sports development which kick off in December 2016, Final and Awarding Ceremony was held on the 7th January 2017. The events comprise of the following codes: male soccer: under 13, 15, 19 open and masters, women football: open, Netball: under 13, 15, 19 and open, Basketball: under 15, 19, open and wheelchair basketball, volleyball: under 15 and 19, Rugby: under 19 and women rugby, boxing: open and Taekwondo: open.
- 30 junior athletes have been identified by Lowmed and Mpumalanga Sports Academy during the athletic talent identification program which took place on the 18th March 2017 Kamhlushwa stadium

- 40 people with disability from participated in the Ehlanzeni disability sports day at Ingwenyama lodge on the 30th March 2017
- Ops Corona sports day (youth against substance abuse) youth from different farms and different villages participated in the event that was championed by the Macadamia military base which took place on the 23rd June 2017 in Komatipoort

CHALLENGES

- Nkomazi municipality has 54 villages including farms, it becomes difficult at some stage to reach all the communities as we have only three officials to service the entire community, at least two more officials should be added
- Insufficient Budget to cover all sporting codes

RECOMMENDATIONS

- More budget to cover all sporting codes
- More budget for additional personnel

3.2 SOCIAL SERVICES AND TRANSVERSAL UNIT

INTRODUCTION OF SOCIAL SERVICES AND TRANSVERSAL UNIT

Personnel

Position	No of personnel
Manager Social services and Transversal	1
HIV/AIDS officer	1
HIV/AIDS prevention Coordinator	1
Transversal Co-ordinator	1
Admin clerk	1
Data capture	1
Lay counsellors	4

Responsibilities

- Ensuring effective coordination of HIV/AIDS and TB as well as special groups issues (women, children, disabled persons elderly and youth).
- Establish and ensure functionality of Nkomazi Local Aids Council as an advocating structure for issues or cases of HIV/AIDS and related matters.
- Assisting Non-Profit organization dealing with HIV/AIDS issues in drafting funding proposal.
- Ensuring that Special Groups programmes are mainstreamed within the Municipal Business.
- The Special Groups focus was proclaimed the Presidency as the most vulnerable and historically disadvantaged individuals (women, Children Disabled Persons, Elderly and Youth. The mandate

of the Government is to ensure that the above mentioned Special Groups are given preference in Service Delivery by:

- Ensuring effective coordination of Special issues, women, children, disabled persons, elderly and youth development
- Liaise between the community stakeholders and Government Departments for rendering services to the public
- Advocating for the implementation of special programmes

ACHIEVEMENTS

- Mandela day celebration at Sitimele Centre in Block C on the 18 July 2016, the centre received a micro oven, seedlings for gardening, as well as food parcels from participating stakeholders. Another Mandela day celebration was held on the 20th of July at Mzinti, two elderly persons were beneficiaries of RDP houses, each received kitchen cupboards, lounge suits and bedroom suits from participating stakeholders, partnering was between Nkomazi and the Department of Human Settlement.
- Language training for communities held in Kamhlushwa community hall on the 13th of October 2016 with Pensalb, 300 people attended the training.
- Widows dialogue were conducted on the 14th October 2016 at Jeppes Reef 600 people participated in the event 300 widows were from different municipalities at Ehlanzeni and 300 in Nkomazi, the municipality partnered with the Legislature for coordination of the event
- Disability empowerment summit on career guidance was held at Kamhlushwa community hall on the 03rd November 2016 300 people with disabilities participated in the empowerment summit
- Training of 60 youth cooperatives on SME's was held in Kamhlushwa community hall on the 14th October 2016, the Department of Mineral Resources facilitated the training for opportunities available in entrepreneurship
- Disability beauty pageant was held on the 24th November 2016 at Tonga Recreational Hall, Ms Nkomazi a person with disability, won a micro-oven second price won a dinner set and third price won an electric kettle. Ms. Gugulethu of Magogeni walk away with the first price, the Executive Mayor of Nkomazi Cllr. T.S. Khoza donated all the prizes.
- 44 young people participated in the youth development road show on the 17th of January 2017 at Nelspruit; training was co-ordinated by the Office of the Premier
- On the 7-10 February 2017, 30 ECD practitioners were trained at Mzinti Community Centre on child law, Nkomazi partnered with Child Line and Ehlanzeni District
- Gender transformation workshop was held at Kobwa hall on the 11th of April 2017, 50 women were trained.
- Celebration of the Africa day for people with disabilities was held at Matsamo on the 20th May 2017, fifty people with disabilities participated in the event.
- Graduation Ceremony of the youth brigade learners from Mgobodzi and Magudu was held at Nkangala District on the 24th of June 2017, thirty four (34) learners participated in the programme graduated.
- Vanity packs were distributed to people with albinism on the 26th of June 2017 and on the 27th of June 2017 a celebration day for people with albinism was held at the Legislature, all local

municipalities participated in the event, 66 people with albinism from Nkomazi participated in the event.

CHALLENGES

- Insufficient budget and lack of focal persons in various sectors for transversal programmes.

RECOMMENDATIONS

- Appointment of Co-ordinators of various programmes in the Unit to strengthen co-ordination and to promote effective programme implementation



Beauty Pageant for Ms. Nkomazi PWD (Executive Mayor Clr. T.S. Khoza and MMC Clr. S. Mashele joined people with Disabilities On stage)

ACHIEVEMENTS

HIV/AIDS, STIs & TB

- 133 Awareness campaigns were conducted in different villages
- HIV/AIDS, STIs & TB strategy reviewed and aligned to the Provincial and the National Strategic plan.
- Statistics of people visiting the AIDS Council container for HIV Counselling and Testing (HCT) increased from nine hundred a month (900) to one thousand two hundred (1200).
- Nkomazi received an award for being the second best AIDS Council at Ehlanzeni District.
- HIV/AIDS included in the EPWP social sector component.
- AIDS council is still fully functional with committed members.
- Four Local AIDS Council Full sittings were held.
- Nkomazi Local AIDS Council was the first to establish working group on health.
- Nkomazi Local AIDS Council is working very close with all the relevant Government Departments and NGOs
- Certificate of recognition received from IOM (International Organization Migration) for co-ordinating migrant sensitive services

PROGRAMMES

- Traditional healers HIV Counselling and testing programmes.
- Home HIV Counselling and Testing.
- Community based HIV Counselling and Testing services.
- Mobilisation of young and older men for Medical Male Circumcision.
- Advocacy role in issues of prevention, treatment Care and support and support for Orphans and Vulnerable Children.
- HIV Prevention Programmes targeting the Lesbian Gay Bisexual and Transgender (LGBT) society.
- “Tirra uhhanyile” programme, an HIV prevention programme targeting the farming communities and their families.
- Expanded Public Works Programme “social sector component”
- Community Capacity Enhancement (CCE) Dialogue

CHALLENGES

- Insufficient budget.
- Office space limits services to be rendered
- Shortage of transport for community outreach programmes
- ARV’s defaulters tracing strategy not in place.-
- Some areas do not have clinics for clients to access their ARV’s hence clients defaulting treatment remains a challenge.
- Teenage pregnant remains a challenge

RECOMMENDATIONS

- The Local AIDS Council to sustain the best practice model.
- Building of new offices and boardroom /learning space for the section

3.3 NATURE CONSERVATION

INTRODUCTION OF NATURE CONSERVATION

- Ensure proper management of fauna and flora
- Ensure proper veld and soil management through rehabilitations and control of alien species.
- Liaise with stakeholders and other interested parties to ensure good governance.
- Administration management and control of municipal resources

Personnel

Position	No of personnel
Manager	1
Senior Ranger	2
Admin Clerk	1
Control Ranger	1
Field Ranger	5
Control Ranger	1
Malaria Controller	4
Field Assistant	8

ACHIEVEMENTS

- Rhino dehorned was successfully conducted as required by Law, also with the assistance from Mpumalanga Tourism and Parks Agency.
- Game count was conducted on time during September 2016 for the financial year.
- Stakeholders meetings were attended whereby game management was discussed.
- Invader plants were controlled in most identified areas including parklands in Marlothpark.
- 1 x Admin clerk attended the Generic management training course at the University of Business Excellence.
- 120 mortalities (dead animals) including 2 Rhinos were realised during the financial year caused by serious drought, age, fight and some were poisoned by poachers.
- One case of arrest was reported and a fine was issued.
- 1 snare was removed inside the park during patrol.
- 449 houses were sprayed for malaria control during the season.
- 2 046 vehicles were recorded entered Lionspruit Nature Reserve during this period and this generated an income for the institution of R61 755.
- 666 game was harvested during the season to reduce risks of mortalities and diseases.

CHALLENGES

- Annual culling not done well because of poor abattoir facility which is not licensed.
- Under staffing.
- Insufficient budget allocation to buy feed for the animals due to serious drought.

- Serious drought which led to mortalities and diseases.
- More live game specifically Rhinos and Buffalos to be re-introduced at Lionspruit nature reserve to attract more tourists.
- No interested buyer for live game/meat due to animal diseases.
- Too many different structures with different interest in the park.
- People's movement inside the park which possess a threat of poaching.

RECOMMENDATIONS

- New abattoir structure to be prioritised at Marlothpark.
- Trophy hunting must be introduced to other species at Lionspruit Nature Reserve for more income generation.
- Game culled dropped into Lionspruit.
- Patrol teams and programmes developed to minimize poaching.
- Regular meetings with interests groups. (MPPOA, Conservancy etc) and interested parties.

4. COMPONENT D: CORPORATE SERVICES

4.1 HUMAN RESOURCES SERVICES

The sustainability of our organisation is strongly underpinned by the availability of staff with the required work ethics, knowledge, competencies, skills and professionalism. Without the right people, we will not be able to execute and deliver on the organisation's strategy. We contentiously strive to create and enhance an environment where employees embrace diversity, strive for high performance and are given opportunities to realise their full potential. We foster a workplace where each employee is valued and encouraged to continuously contribute to the work of municipality for the ultimate benefit of the people of Nkomazi.

During the year under review the municipality appointed 24 employees. There were five management positions which were filled through internal transfers which is a demonstration of the effectiveness of our talent development and pipeline management efforts. At the end of the reporting period there were 970 employees of the municipality, representing 0.83% growth in the headcount compared to the previous year. The gender ratio remained virtually the same with 408 males and 562 females.

Cascading of the Individual Performance Management System to all the employees other than section 56/57 senior managers has not been fruitful in the current year however several workshops have been conducted to create an awareness of performance appraisals to all employees and the consultations with the Unions, SALGA and other relevant stakeholders have started.

4.2 SKILLS DEVELOPMENT

Workplace Skill Development programme has continued to be effective as 23 trainings were conducted during the year in order to capacitate the workforce. 54 Students who matriculated in 2016 were awarded bursaries which covered the registration in any tertiary institution of their choice. Internal bursaries were also provided to employees to study as part of a coordinated career development process. In addition, the municipality continued with a Programme which will address the minimum competency requirements as per the National Treasury Regulations.

The following is a summary of all trainings done during the financial year under review:

NO	COURSE DESCRIPTION	EMPLOYED	UNEMPLOYED	COUNCILLORS	INTERNS	FUNDS GRANTED BY	Gender	
							Males	Females
1	Community House Building (learners)		50			LGSETA	11	14
2	Environmental Practice	25				LGSETA	5	3
3	Fire and rescue	8				LGSETA	27	53
4	Electrical apprenticeship	30	50			LGSETA	10	10
5	Plumbing apprenticeship		20			LGSETA	5	5
6	Councillors practice	10				LGSETA	33	12

7	Councillors' Development Programme			45		SALGA	17	10
8	Generic Management	27	2			LGSETA	12	25
9	ABET	41				LGSETA	2	3
10	Interns				5	National Treasury	35	20
11	Water Process controllers	55				EWSETA	65	35
12	Water Reticulation	50	50			EWSETA	40	28
13	Borehole pump operator	68				DWA	17	8
14	MFMA	20		5		Own budget	2	1
15	Traffic Officers	3				Own budget	1	1
16	Examiner of vehicle	2				Own budget		1
17	Supply chain	5				National Treasury		1
18	ODETDP	1				Own budget	2	3
19	Risk Management (Champions)	5				Own budget	15	15
20	Journalism		30			LGSETA	11	19
21	Marketing		30			LGSETA	13	27
22	Roadworks	30	40			LGSETA	90	5
23	Mechanical engineering		95			LGSETA		

Challenges experienced in skills development section

- Some participants are not committed to attend the trainings till the end.

Recommendations

- Implement consequence management

4.3 INFORMATION AND COMMUNICATION TECHNOLOGY SERVICES

During the 2016/17 financial year, ICT continued to grow in stature as it set out to implement the priority projects as indicated in the current strategy and ICT Governance framework. This is evident by the introduction of the ICT Steering Committee, the budgeting and filling of the post for Senior IT Technician. As ICT continues to priorities governance and compliance, ICT finding and Risk appetite have been tremendously improved as results, most risks or findings have been mitigated or resolved.

In a quest to improve efficiency and business process, Nkomazi Municipality invested in Disaster Recovery Plan, the Disaster centre is in one of the Municipality offices in Komatipoort, Nkomazi also improved their server to accommodate MSCOA implementation and the upgrade on Solar system. In case of disaster we can be able to recover all the information that is valuable to the Municipality.

ICT NETWORKS, SERVICERS AND SYSTEMS

ICT Systems, Networks to mage net, Servers and Application have stabilized and performing optimally as results of a major drives in replacing all the obstacle equipment during 2016/17 financial year. We have upgrading some of our server, software license and network monitoring tools during 2016/17 financial year as we prepare for MSCOA.

4.4 LEGAL SERVICES

The municipality (NLM) has in the current year managed to develop four By-laws and furthermore reviewed 45 policies to ensure that the workforce is properly managed and a better service is delivered to local communities.

HR Policies and Plans

Number	Policy	Status	Adoption Date
1.	Accommodation Policy	100%	22/03/2011
2.	Agricultural land sub division Policy	100%	29/11/2010
3.	Asset Management Policy	100%	22/06/2017
4.	Budget Policy	100%	22/06/2017
5.	Bursary Policy for Employees	100%	22/06/2017
6.	Cash Management and Investment Policy	100%	22/06/2017
7.	Cellphone and 3G CARD Policy	100%	22/06/2017
8.	Cellular Phones and 3 G Policy	100%	30/05/2014
9.	Communication Policy	100%	30/04/2013
10.	Credit Control and Debt Collection Policy	100%	22/06/2017
11.	Customer Care Policy	100%	20/11/2012
12.	Delegation of powers	100%	15/08/2016
13.	Density and service contribution Policy	100%	08/09/2010
14.	Employee Wellness Programmer Policy	100%	30/11/2011
15.	Employment Equity Policy	100%	25/06/2006
16.	Executive Mayor Vehicle Policy	100%	15/02/2007
17.	Exit Interview Policy	100%	30/05/2014
18.	Experiential training, Volunteerism, Internship and Learner ship	100%	15/07/2009
19.	Fleet Management Policy	100%	30/05/2014

20.	Fraud Policy	100%	19/09/2013
21.	Gender and Woman Empowerment	100%	29/11/2010
22.	Human Strategy Policy	100%	26/10/2012
23.	Incapacity Due ill-Health	100%	26/10/2012
24.	Incapacity Due to poor work performance Policy	100%	22/03/2011
25.	Indigent Policy	100%	22/06/2017
26.	Induction Policy	100%	30/05/2014
27.	Information Communication Policy	100%	15/12/2016
28.	Inventory Policy	100%	29/11/2010
29.	Leave Policy for officials	100%	30/05/2014
30.	Municipal Property Rate Policy	100%	22/06/2017
31.	Municipal Supplier data base	100%	15/06/2012
32.	Occupational Health and safety Policy	100%	18/11/2014
33.	Overtime Policy	100%	29/08/2008
34.	Performance Management System	100%	30/05/2014
35.	Policy for Disable Person	100%	20/08/2008
36.	Recruitment and selection Policy	100%	26/10/2012
37.	Risk Management Policy	100%	19/09/2013
38.	Sexual Harassment Policy	100%	30/05/2014
39.	Standby and nightshift Policy	100%	03/03/2009
40.	Staff Retention Policy	100%	30/05/2014
41.	Succession Planning Policy	100%	30/05/2014
42.	Supply Chain Management	100%	22/06/2017

43.	Petty Cash Policy		29/03/2014
44.	Tariff Policy	100%	22/06/2017
45.	Telephone and fax Policy	100%	22/06/2017
46.	Tertiary education support Policy	100%	30/05/2014
47.	Training and development Policy	100%	22/03/2011
48.	Travel & Subsistence Policy	100%	29/03/2017
49.	Unallocated deposits Policy	100%	22/06/2017
50.	Uniform and Protective Policy	100%	30/03/2007
51.	Vehicle Policy	100%	30/11/2011
52.	Virement Policy	100%	22/06/2017
53.	Change Management Policy	100%	15/12/2016
54.	Wellness Policy	100%	30/05/2014
55.	Whistle Blowing Policy	100%	19/09/2013
56.	Youth Policy	100%	30/05/2014
57.	Internet acceptable use Policy	100%	15/12/2016
58.	Information Communication Technology Business Contingency Planning Policy	100%	15/12/2016
59.	Copyright Compliance Policy	100%	15/12/2016
60.	Information Communication Technology Email and messaging acceptable use Policy	100%	15/12/2016
61.	IT Information Security Policy	100%	11/06/2015
62.	Patch Management Policy	100%	15/12/2016
63.	ICT Standards and Support Policy	100%	15/12/2016

64.	User Authorization, Identification & Authentication Policy	100%	15/12/2016
65.	Virus Prevention, Detection, Removal & Spyware Policy	100%	15/12/2016
66.	ICT Network Security Policy	100%	15/12/2016
67.	Data Backup Policy	100%	15/12/2016
68.	Information Communication Technology Business Continuity Disaster Recover Policy	100%	11/06/2015
69.	Information Communication Technology Management and System Authority Policy	100%	11/06/2015
70.	Information And Data Protection Policy		15/12/2016
71.	Public Participation Policy	100%	15/12/2016
72.	Policy on Ward Committees	100%	15/12/2016
73.	Records and Archive Management Policy	100%	18/11/2014

Cases

The tables below demonstrate the list of pending cases against and those that are in favour of the municipality:

Contingent liabilities			
Claimant	Matter	Amount	Status
Lubbe A	Unfair dismissal	R 109,626.64	In progress
Lubisi O.B.O (IMATU)	Travel allowance claim	R 120,270.00	In progress
Tarfix	Claim for retention	2,679,068.00	In progress
Shabangu SM	Claim for leave	184,244	In progress
Shabangu SM	Unfair dismissal	R 1,020,000.00	In progress
Silinda Mokoena & Associates (Valuer)	Work done on the valuation roll	R 1,264,063.00	In progress
Valor IT	Breach of contract	R 5,034,960.00	In progress
Matsamo Cultural Park	Damages caused by fire	R 5,418,000.00	In progress
Maximum Profit Recovery	Breach of contract	R6,000,000.00	In progress
Telkom SA Limited	Claim for damages	R 59,346.17	In progress

Contingent Assets			
DEFENDED	Matter	Amount	Status
Silinda Mokoena & Associates (Valuer)	Incorrect valuation roll	R 10,855,225.17	In progress
Valor IT	Breach of contract	R 6,300,000.00	In progress
Shabangu SM	Unauthorised expenditure	R 3,248,996.40	In progress

Challenges

- By-Laws are not separately budgeted for

Recommendations

- All departments to budget for the development and gazetting of by-laws.

4.5 OCCUPATIONAL HEALTH AND SAFETY

Occupations Health and safety inspections, safety meetings (toolbox talk) and safety audit are done monthly with all departments during the year to identify new health & safety hazard and risk. All below accident has been investigated in terms of relevant legislation. Sick leave was monitored by departments and documents properly file by the relevant department. The table below shows the list of employees who got injured at work:

Name of employee	Employees no	Date of injury	Description of accident	Compensation
Lukhuleni Hawu Hammond	M4550	19/07/2016	Fell on a moving vehicle	No
Mashele Butana Vusi	M4372	15/08/2016	Employee was struck by a spanner on top of his right eye	No
Nkambule George	M4642	25/08/2016	Back injury due to lifting heavy object	No
Vilakazi Phumzile Francinah	M43107	27/10/2016	Chemical sprayed the employees faces	No
Singwane Thulani Derrick	M4715	10/10/2016	Involved in a motor vehicle accident	No
Nkalanga Matsambitsi Simanga	M4528	10/10/2016	Involved in a motor vehicle accident	No
Sibeko Nhlanhla Joshua	CA986	10/01/2017	Trip & Fall and his right leg injured	No
Gwebu Abednego Green	W079	02/02/2017	Injured by a sharp object on a right-hand finger	No
Vilakazi Thandeka Prudence	M4849	22/02/2017	Fell on a moving vehicle	No
Shongwe Thokozani Sydney	M4674	22/03/2017	Electric shock	No
Van Vuuren Cornelia Salemina	M4093	22/03/2017	Trip & Fall from a step ladder	No
Mathebula Phumzile Melta	CA659	19/04/2017	Chemical sprayed the employees face due to not wearing proper protective	No
Magagula Zenzile Lilly	C1344	25/04/2017	Electric shock	No
Madonsela Maria Nganjepo	M4477	10/05/2017	Employee Trip & Fall and her right eye was injured	No
Luphoko Frank Patrick	M4532	28/05/2017	Vehicle accident at Tonga	No

5. COMPONENT E: FINANCIAL SERVICES

5.1 STATEMENT OF FINANCIAL PERFORMANCE

Introduction

This chapter presents a financial status of the municipality as at 30 June 2017. The financial status is analysed details below with the graphical depiction and summary analysis.

ANALYSIS OF REVENUE COMPONENT OF FINANCIAL STATEMENT

Description R thousands	2015,16	Current Year 2016/17			2016/17 variance	
	Audited Outcome	Original Budget	Adjusted Budget	Actuals	Original Budget	Adjusted Budget
Financial Performance						
Property rates	107 043 056	117 928 980	117 928 980	105 662 409	-10%	-10%
Service charges	105 243 044	116 565 872	124 584 142	121 289 611	4%	-3%
Investment revenue	7 002 653	4 310 174	5 558 388	9 986 741	132%	80%
Transfers recognised - operational	437 255 109	460 207 185	458 531 380	446 215 359	-3%	-3%
Other own revenue	92 714 650	44 117 669	39 771 816	38 683 940	-12%	-2%
Total Revenue (excluding capital transfers and contributions)	749 258 512	743 129 839	746 374 686	722 048 059		
Employee costs	293 525 484	287 455 314	294 409 168	303 740 999	6%	3%
Remuneration of councillors	21 329 483	24 298 639	24 304 095	21 540 634	-11%	-11%
Depreciation & asset impairment	63 700 532	69 067 808	69 067 808	-	-100%	-100%
Finance charges	8 349 468	469 251	698 282	1 415 759	202%	103%
Materials and bulk purchases	86 186 736	68 891 822	68 861 194	112 749 843	64%	64%
Transfers and grants	310 950	234 625	254 625	236 780	1%	-7%
Other expenditure	287 579 584	259 626 989	255 401 908	257 547 920	-1%	1%
Total Expenditure	760 982 236	709 944 449	712 997 081	697 231 935		
Surplus/(Deficit)	-11 723 723	33 185 390	33 377 606	24 816 124		
Transfers recognised - capital	300 579 902	324 570 835	352 031 805	352 031 805	8%	0%
Contributions recognised - capital & contributed assets	-	-	-	-		
Surplus/(Deficit) after capital transfers & contributions	288 856 179	357 756 225	385 409 411	385 409 411		
Share of surplus/ (deficit) of associate	-	-	-	-		
Surplus/(Deficit) for the year	288 856 179	357 756 225	385 409 411	385 409 411		
Capital expenditure & funds sources						
Capital expenditure	335 999 491	354 404 835	366 965 805	224 906 803		
Transfers recognised - capital	317 121 292	324 570 835	337 031 805	207 387 863		
Public contributions & donations	-	-	-	-		
Borrowing	-	-	-	-		
Internally generated funds	18 878 199	29 834 000	29 934 000	17 518 920		
Total sources of capital funds	335 999 491	354 404 835	366 965 805	224 906 803		
Financial position						
Total current assets	296 189 117	318 184 575	318 247 037	410 718 915		
Total non current assets	1 642 571 987	2 396 553 131	1 924 583 584	1 880 638 897		
Total current liabilities	362 062 538	138 365 006	240 186 163	626 448 513		
Total non current liabilities	39 673 529	60 054 457	80 210 010	46 305 825		
Community wealth/Equity	1 537 025 045	2 516 318 243	1 922 434 456	1 618 603 473		
Cash flows						
Net cash from (used) operating	366 721 350	374 799 513	367 136 645	294 782 285		
Net cash from (used) investing	-336 802 019	-354 404 835	-366 965 805	-241 303 408		
Net cash from (used) financing	-964 057	-291 297	-509 766	-		
Cash/cash equivalents at the year end	65 079 610	74 979 986	64 740 684	118 558 487		

The total operating revenue actuals has increased to R772.1 Million that is 5% increment when compared to the actual amount of R685.1 Million that was realised in 2016/17 financial year. Property rates accrued amounts to R106 Million that reflects 10% unfavourable revenue collected compared to the budgeted amount of R118 Million. Services charges that includes Electricity, Water, Sewerage and refuse removal reflect actual amount of R121.3 Million that is 3% less than the budgeted amount of R125 Million. This is due to less revenue generated for electricity.

The actual transfer recognised operational which includes equitable share and conditional grants is at R446 Million that is 62% of the total revenue realised, this indicates that the municipality is still grant dependent in terms of financial stability.

LIABILITY MANAGEMENT

The payment rate of the municipality has increased, however all creditors are not paid within 30 days period as required by section 65(e) of MFMA. Non-current liabilities has increase from R39.6 Million in 2016 to R46.3 Million due to an increase in other financial liabilities.

Current liabilities increased from R362 Million to R626 Million this is due to an increase on unspent conditional grants.

COMPLIANCE COMPONENTS OF FINANCIAL STATEMENTS

The Annual Financial Statements have been prepared in accordance with standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standard Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgment and estimates.

A compliance committee was established to monitor municipality's compliance to MFMA and other local government related legislation.

5.2 ASSET MANAGEMENT

Treatment of the three largest assets acquired 2016/17	
Asset 1	
Name	DURBAN/NEW VILLAGE BUS ROUTE
Asset Type	BUS ROUTE
Key Staff Involved	PROJECT MANAGEMENT UNIT, INFRASTRUCTURE_ROADS & ASSET SECTION
Staff Responsibilities	MANAGEMENT OF PROJECT UNTIL COMPLETION ACCOUNTING FOR THE ASSET VALUES OF PROJECT IN LINE WITH GRAP
Asset Value	2016/2017 R 20 448 346.89
Capital Implications	
Future Purpose of Assets	ROAD ACCESS FOR COMMUNITY OF NKOMAZI
Describe Key Issues	NO ISSUES IDENTIFIED
Policies in Place to Manage Asset	ASSET MANAGEMENT POLICY
Asset 2	
Name	BOSCHFONTEIN BUS ROUTE
Asset Type	BUS ROUTE
Key Staff Involved	PROJECT MANAGEMENT UNIT, INFRASTRUCTURE_ROADS & ASSET SECTION
Staff Responsibilities	MANAGEMENT OF PROJECT UNTIL COMPLETION ACCOUNTING FOR THE ASSET VALUES OF PROJECT IN LINE WITH GRAP
Asset Value	2016/2017 R 19 190 590.93
Capital Implications	
Future Purpose of Assets	ROAD ACCESS FOR COMMUNITY OF NKOMAZI
Describe Key Issues	NO ISSUES IDENTIFIED
Policies in Place to Manage Asset	ASSET MANAGEMENT POLICY
Asset 3	
Name	TONGA WTW PHASE 1B (PHASE 2)
Asset Type	WATER TREATMENT WORKS
Key Staff Involved	PROJECT MANAGEMENT UNIT, INFRASTRUCTURE_WATER & ASSET SECTION
Staff Responsibilities	MANAGEMENT OF PROJECT UNTIL COMPLETION ACCOUNTING FOR THE ASSET VALUES OF PROJECT IN LINE WITH GRAP
Asset Value	2016/2017 R 18 746 957.50
Capital Implications	
Future Purpose of Assets	SUPPLY OF WATER FOR COMMUNITY OF NKOMAZI
Describe Key Issues	NO ISSUES IDENTIFIED
Policies in Place to Manage Asset	ASSET MANAGEMENT POLICY

5.3 GRANT PERFORMANCE

Description R thousands	2014/15	Current Year 2015/16			2015/16 variance	
	Audited Outcome	Original Budget	Adjusted Budget	Actuals	Original Budget	Adjusted Budget
Operating expenditure of Transfers and Grants						
National Government:	352 699 693	435 374 740	435 374 740	435 374 740	0%	-100%
Local Government Equitable Share	339 878 000	423 037 000	423 037 000	423 037 000	0%	0%
Finance Management	1 600 000	1 600 000	1 600 000	1 600 000	0%	0%
Municipal Systems Improvement	934 000	930 000	930 000	930 000	0%	0%
EPWP Incentive	5 451 000	4 762 000	4 762 000	4 762 000	0%	0%
MIG-PMU Operational	4 836 693	5 045 740	5 045 740	5 045 740	0%	0%
Provincial Government:	-	-	-	-		
District Municipality:	-	-	-	-		
Other grant providers:	839 615	1 376 050	1 376 050	3 608 269	162%	162%
HIV Grant	839 615	1 376 050	1 376 050	1 880 369	37%	37%
LG SETA Grant	-	-	-	1 727 900	0%	0%
Total operating receipts and expenditure of Transfers and Grants:	353 539 308	436 750 790	436 750 790	438 983 009	1%	-100%
Capital expenditure of Transfers and Grants						
National Government:	288 047 668	382 574 260	385 117 233	298 915 928	-22%	-100%
Municipal Infrastructure Grant (MIG)	240 454 307	214 334 260	214 334 260	214 334 260	0%	0%
Integrated National Electrification Programme	9 000 000	10 000 000	12 305 648	10 229 286	2%	-17%
Municipal Water Infrastructure Grant	-	118 740 000	118 740 000	49 615 056	-58%	-58%
Water Services Operating Subsidy	12 000 000	15 000 000	15 000 000	-	-100%	-100%
Rural Household Infrastructure Grant	4 500 000	4 500 000	4 737 326	4 737 326	5%	0%
Municipal Disaster Recovery Grant	22 093 361	20 000 000	20 000 000	20 000 000	0%	0%
Water Services Infrastructure Grant	-	-	-	-		
Provincial Government:	-	-	-	-		
Other capital transfers/grants [insert description]	-	-	-	-		
District Municipality:	-	-	-	-		
Other grant providers:	-	-	-	-		
Total capital expenditure of Transfers and Grants	288 047 668	382 574 260	385 117 233	298 915 928	-22%	-100%
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	641 586 976	819 325 050	821 868 023	737 898 937	-10%	-100%

Government grants and subsidies	2017	2016
Equitable Share	447,689,361	423,037,000
Municipal Systems Improvement Grant	-	930,000
Financial Management Grant	1,625,000	1,600,000
Municipal Infrastructure Grant	257,355,000	219,380,000
Integrated National Electrification Grant	9,000,000	10,229,286
Water Services Infrastructure Grant	68,100,160	-
Extended Public Works Programme (EPWP)	5,917,000	4,762,000
Municipal Water Infrastructure Grant	14,348,621	51,279,030
HIV Grant	597,456	1,880,369

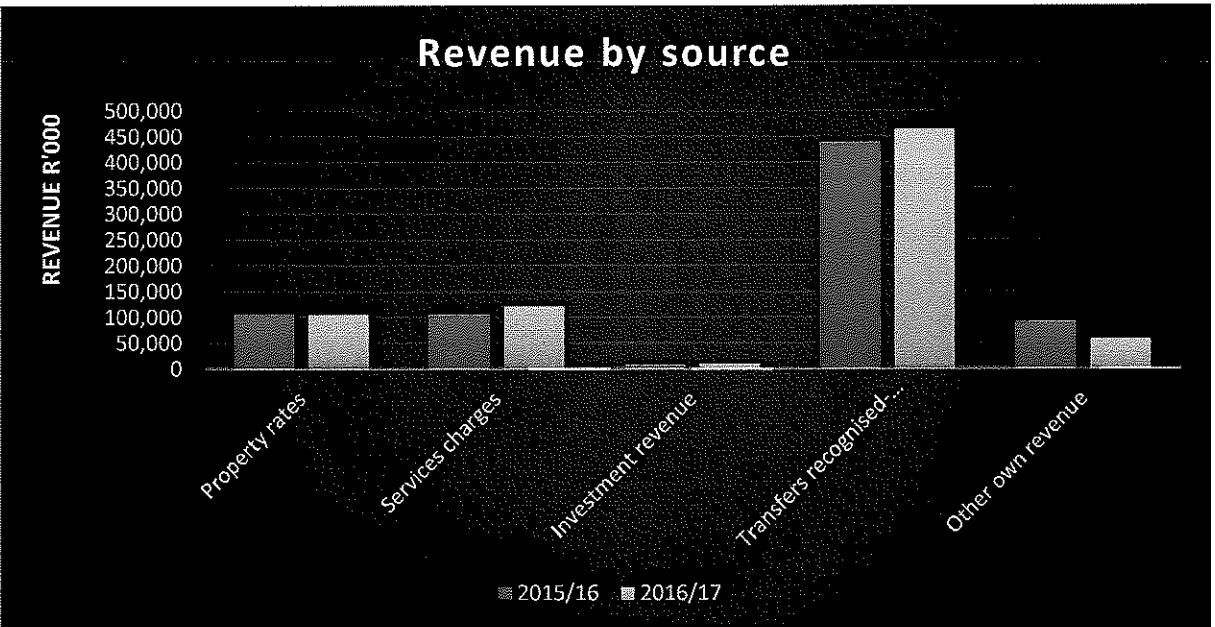
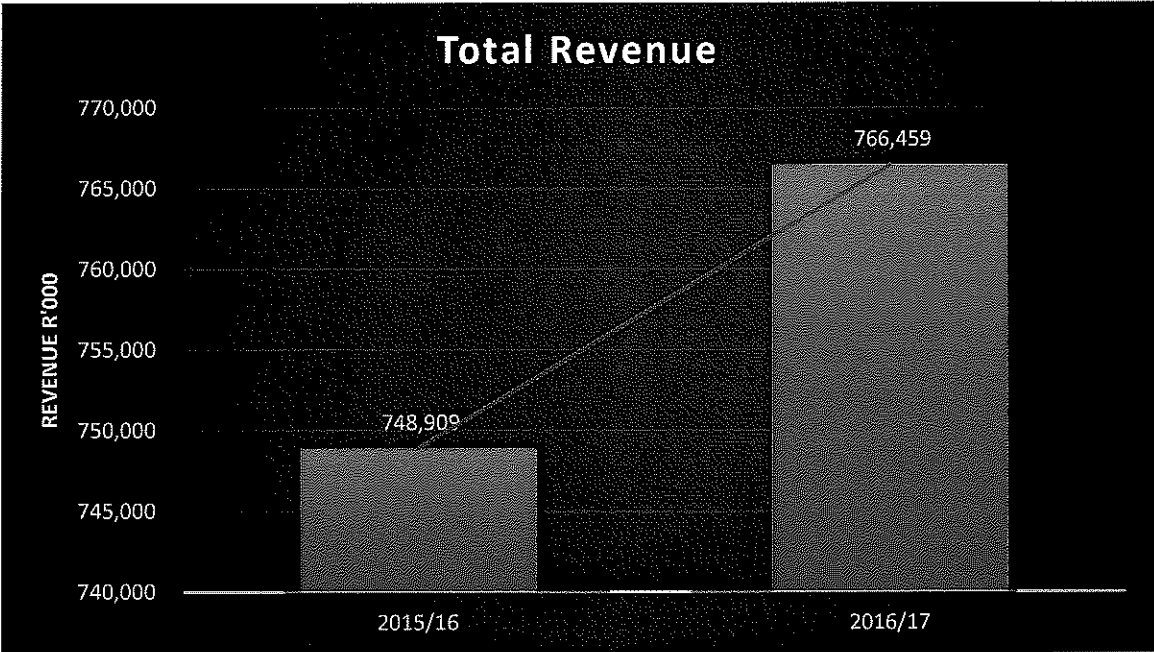
LG SETA Grant	3,386,100	1,727,900
Rural Household Infrastructure Grant	-	4,737,326
Municipal Disaster Recovery Grant	20,000,000	20,000,000
	828,018,699	739,562,911
<u>Municipal Systems Improvement Grant</u>		-
Balance unspent at beginning of the year	-	-
Current year receipts	-	930,000
Conditions met - transferred to revenue	-	(930,000)
Conditions still to be met - transferred to liabilities	-	-
<u>Financial Management Grant</u>		-
Balance unspent at beginning of the year	-	-
Current year receipts	1,625,000	1,600,000
Conditions met - transferred to revenue	(1,625,000)	(1,600,000)
Prior year error - conditions met	-	-
Conditions still to be met - transferred to liabilities	-	-
<u>Municipal Infrastructure Grant</u>		-
Balance unspent at beginning of the year (as per adj AFS)	-	-
Current year receipts	257,355,000	219,380,000
Conditions met - transferred to revenue	(257,355,000)	(219,380,000)
Prior year error - conditions met	-	-
Conditions still to be met - transferred to liabilities	-	-
<u>Intergrated National Electrification Grant</u>		-
Balance unspent at beginning of the year(as per adj AFS)	2,076,361	2,305,648
Current year receipts	9,000,000	10,000,000
Conditions met - transferred to revenue	(9,000,000)	(10,229,287)
Transfer out - Roll over not approved	(2,076,361)	
Conditions still to be met - transferred to liabilities	-	2,076,361
<u>Water Service Infrastrucure Grant</u>		-
Balance unspent at beginning of the year (As per AFS)	-	-
Current year receipts	69,192,000	-
Conditions met - transferred to revenue	(68,100,160)	-
Conditions still to be met - transferred to liabilities	1,091,840	-

<u>Rural Household Infrastructure Grant</u>			-
Balance unspent at beginning of the year (As per AFS)	0	237,326	
Current year receipts	-	4,500,000	
Conditions met - transferred to revenue	-	(4,737,326)	
Conditions still to be met - transferred to liabilities	0	0	
<u>Extended Public Works Programme</u>			-
Balance unspent at beginning of the year (As per AFS)	-	-	
Current year receipts	5,917,000	4,762,000	
Conditions met - transferred to revenue	(5,917,000)	(4,762,000)	
Conditions still to be met - transferred to liabilities	-	-	
<u>Municipal Water Infrastructure Grant</u>			-
Balance unspent at beginning of the year (As per AFS)	27,460,970	-	
Current year receipts	-	78,740,000	
Conditions met - transferred to revenue	(14,348,621)	(51,279,030)	
Conditions still to be met - transferred to liabilities	13,112,349	27,460,970	
<u>Municipal Disaster Recovery Grant</u>			-
Balance unspent at beginning of the year (As per AFS)	-	-	
Current year receipts	20,000,000	-	
Conditions met - transferred to revenue	(20,000,000)	-	
Conditions still to be met - transferred to liabilities	-	-	
<u>LG SETA Grant</u>			-
Balance unspent at beginning of the year (As per AFS)	-	-	
Current year receipts	3,386,100	1,727,900	
Conditions met - transferred to revenue	(3,386,100)	(1,727,900)	
Conditions still to be met - transferred to liabilities	-	-	

Unspent conditional grants and receipts	2017	2016
Municipal Infrastructure Grant	-	-
Municipal Systems Improvement Grant	-	-
Financial Management Grant	-	-
Integrated National Electrification Grant	-	2,076,361
Water Service Infrastructure Grant	1,091,840	-
Extended Public Works Programme	-	-
Municipal Water Infrastructure Grant	13,112,349	27,460,970
Rural Household Infrastructure Grant	0	-
Municipal Disaster Recovery Grant	-	-
LG SETA Grant	-	-
	14,204,188	29,537,331

5.4 FINANCIAL RATIOS ON KEY PERFORMANCE INDICATORS

The high level of revenue realised in 2017 and 2016 is graphically reflected as follows:



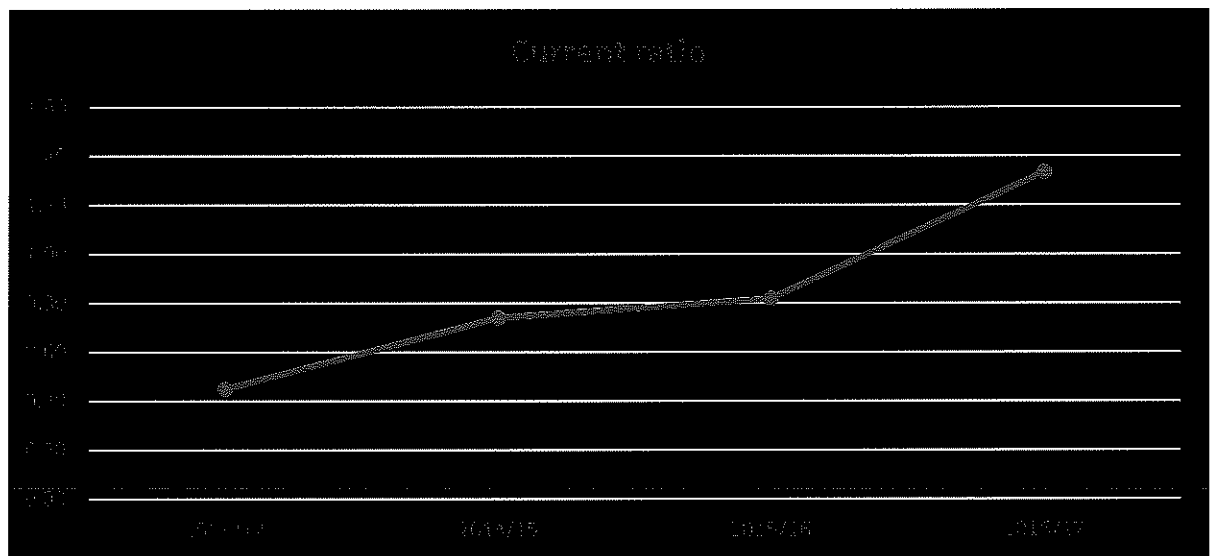
Property rates accrued amounts to R106 Million that reflects 10% unfavourable revenue collected compared to the budgeted amount of R118 Million.

Services charges that includes Electricity, Water, Sewerage and refuse removal reflect actual amount of R121.3 Million that is 3% less than the budgeted amount of R125 Million. This is due to less revenue generated for electricity.

The actual transfer recognised operational which includes equitable share and conditional grants is at R464 Million that is 62% of the total revenue realised, this indicates that the municipality is still grant dependent in terms of financial stability.

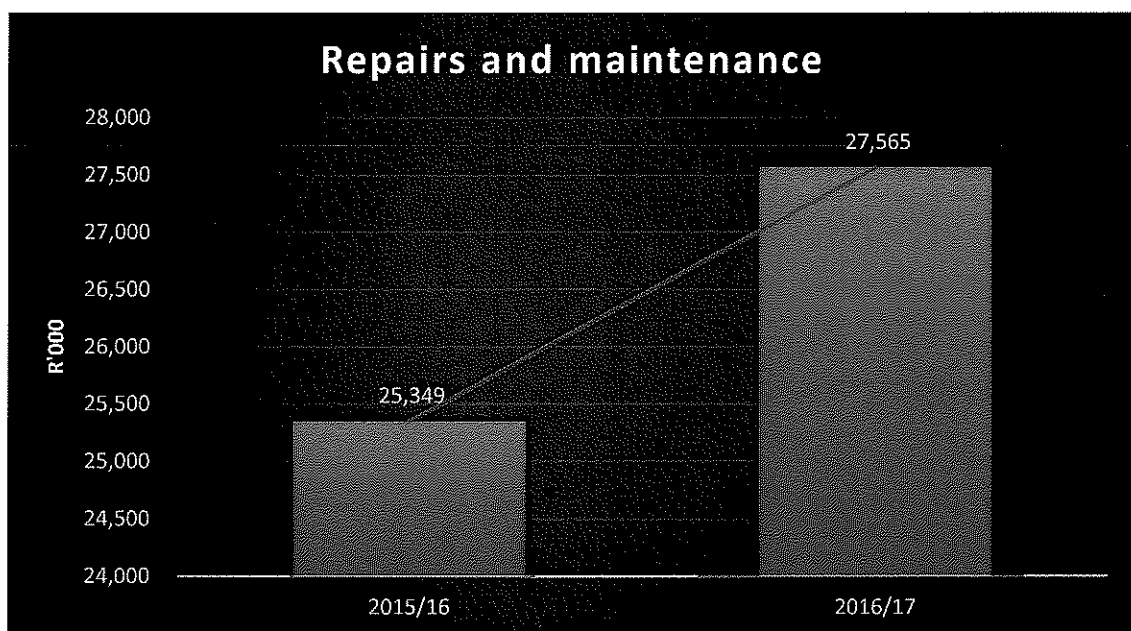
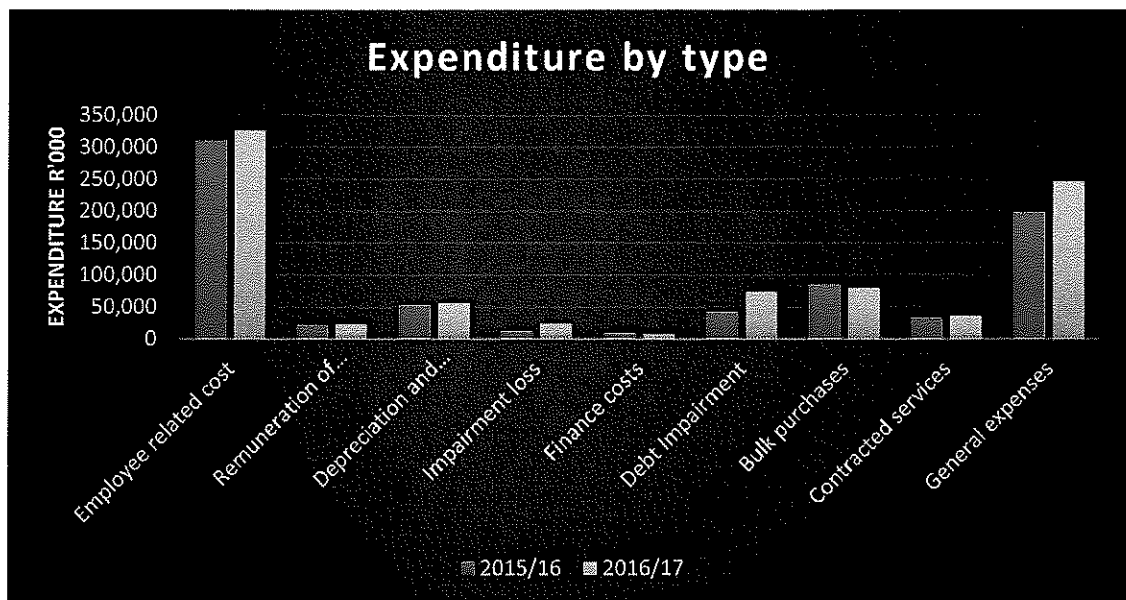
Liquidity ratio indication

The current asset over current liabilities is graphically reflected as follows:



For the first time in the last three consecutive years the municipality's current assets exceeds the current liabilities that demonstrates a positive improvement in the municipal finance management. The current year current ratio is at 1.33:1 which is much higher than the prior year actual of 0.80:1.

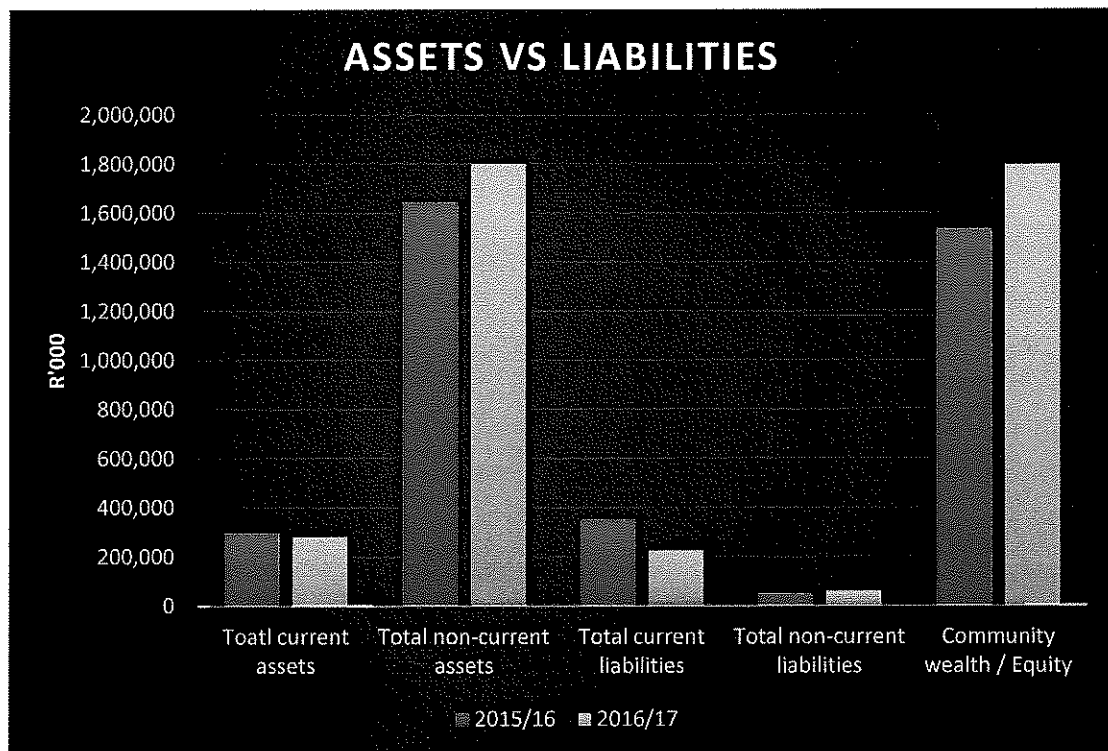
Operating expenditure, repairs and maintenance is graphically reflected as follows:



The total operational expenditure amounted to R835.2 Million reflecting an increase of 9.8% compared to the R761 Million that was realised in 2016 and that has been due to an increase in the general expenses and in the employee related costs.

Employee related costs and remuneration of councillors increased by 5.1% from R331.6 Million in 2016 to R348.7 Million in 2017 that is 42% of the total expenditure. It must be indicated that the

total employee cost including councillors is slightly above the norm of 35%-40% as per the National Treasury guideline.



The municipality's current assets have remained constant while there has been an increase in non-current assets due to additions in infrastructure assets as a result of completed projects. Current liabilities have decreased and that is evident by adequate cash and cash equivalent at year end.

5.5 SUPPLY CHAIN MANAGEMENT

Overview of Supply Chain Management

Section 217 of the Constitution of the Republic of South Africa requires that when an organ of State contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective.

The Supply Chain Management Policy of the Municipality has been drawn up to give effect to these principles and the Preferential Procurement Legislation, and furthermore to comply with the provisions of the Local

Government: Municipal Finance Management Act and its Regulations promulgated in terms thereof.

The SCM policy has recently been reviewed and approved by Council to ensure that controls are tightened to combat fraud and corruption in procurement processes.

Supply Chain Management Unit

Chapter 11 of the MFMA compels the municipalities to establish Supply Chain Management Units and implement the SCM Policy, which gives effect to all SCM functional areas. The Supply Chain Management Unit has been established and operates under a direct supervision of the Chief Financial Officer.

Bid Committees

Regulation 26 of the Municipal Supply Chain Management Regulations stipulates that a municipality's Supply Chain Management system must provide for a committee system for competitive bids consisting of at least a bid specification, bid evaluation and bid adjudication committee.

The Municipality has established the following committees: -

- ✓ Bid Specification Committee;
- ✓ Bid Evaluation Committee and
- ✓ Bid Adjudication Committee.

Each Committee consists of a practitioner from Supply Chain Management and officials from key Directorates in the Municipality. The Accounting Officer is responsible for the appointment of bid committees and committees are appointed once a year and reviewed accordingly by the Accounting Officer which allows the option of co-opting other members. Although the chain of work of these Committees is intertwined, they operate separately from each other. All members of the Committees sign an Oath of Secrecy and Declaration of Interest to ensure that the bidding system is fair, transparency, openness and equitable.

For the 2016-2017 Financial Year

Description	Value
Total value of tenders awarded:	R 118,952,713.45
Total value of deviation:	R 2,625,586.00
Total value of purchasing order:	R 70,760,457.13

No councillor of the municipality was a member of any committee handling supply chain processes

General competency levels for officials involved in implementation of supply chain management policy:

Minimum competency levels

Supply Chain Manager	Full completed
Supply chain officials: 7	06 completed
	01 still under training at year end

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

SECTION 2: PERFORMANCE REPORT

1. EXECUTIVE SUMMARY

This report highlights the performance results achieved by Nkomazi Local Municipality during the financial year of 2016/17. The results are based on the planned priorities and targets as outlined in the Integrated Development Plan (IDP) 2016/17. The report presents organisational performance and the level of achievement in terms of key service delivery priorities for the year. The municipality continues to engage its administrative function of realigning the performance management system with the planning and budgeting process in order to achieve its mandate. Presently, the process is ongoing in order to ensure that information between the Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) remains consistent and reliable during the execution of performance management activities.

This document starts by providing the *context and background* to the report. It is a legislative requirement that a municipality prepares its annual performance report in order to comply with the provisions of mainly the Municipal Systems Act (MSA), Municipal Finance Management Act (MFMA) and Performance Management Regulations in respect of the performance management system. The section on *Integrated Development Plan* (IDP) outlines the processes leading to the review and compilation of the IDP for the year 2016/17.

The *budget and performance management information* section presents the crucial processes of allocating financial resources to the identified development priorities contained in the IDP, and the setting of performance targets of which resources have to be commensurate with the priorities and available municipal resources. The section on *Performance highlights* for the financial year 2016/17 showcases some of the key service delivery results of the municipality achieved during the period under review.

Performance results 2016/17 as per municipal key performance is a presentation of the achievements or non-achievements by the municipality according to the five (5) key performance areas of local government. This section also shows the planned or actual performance results for the period 2015/16. *Performance*

summary results 2016/17 is log frame showing strategic key performance indicators structured in a tabular format for easy referencing as well as providing a systematic scorecard of service delivery performance of the municipality.

2. CONTEXT AND BACKGROUND

This report is prepared in compliance of Section 41 of the *Local Government Municipal Systems Act, No. 32 of 2000* and Regulations which states that – A municipality must in terms of its performance management system and in accordance with any regulations and guidelines that may be prescribed –

- (a) set appropriate key performance indicators as a yardstick for measuring performance, including outcomes and impact, with regard to the municipality's development priorities and objectives set out in its integrated development plan;
- (b) Set measurable performance targets with regard to each of those developmental priorities and objectives;
- (c) With regard to each of those development priorities and objectives and against the key performance indicators and targets set in terms of paragraphs (a) and (b);
 - i) Monitor performance, and
 - ii) Measure and review performance at least once per year;
- (d) Take steps to improve performance with regard to those development priorities and objectives where performance targets are not met.
- (e) Establish a process of regular reporting to
 - i) The Council, other political structures, political office bearers and staff of the municipality, and
 - ii) The public and appropriate organs of state.

This report is also prepared in terms of the municipal *Performance Management System (PMS) Policy Framework* which highlights other key legislative and regulatory frameworks that inform the preparation of the annual reporting cycle. The Municipal Planning and Performance Management Regulations (2001) states that the Minister responsible for local government through regulations prescribed the General Key Performance Indicators (GKPIs). Municipalities are required to annual report on these GKPIs. These indicators focus on:–

- (a) Basic Service Delivery;
- (b) Local Economic Development;
- (c) Municipal Transformation;
- (d) Financial Viability; and
- (e) Good Governance and Public Participation.

The *Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers (2006)* aim to ensure that organisational performance is properly linked to individual performance in order to entrench a culture of improved performance; set uniform standards to monitor and improve municipal performance; provide principles for managing and rewarding performance; and proactively identify performance barriers and provide targeted support in the municipality. The *Municipal Finance Management Act (2003)* requires the accounting officer of a municipality to assess the performance of the municipality by taking into account of the municipality's service delivery performance, service delivery targets and performance indicators set in the service delivery and budget implementation plan; the past year's annual report and progress on resolving problems identified in the annual report; and submit a report on such assessment to the mayor of the municipality; the national treasury and relevant provincial treasury.

3. INTEGRATED DEVELOPMENT PLANNING

3.1 Background

The Integrated Development Plan (IDP) is a blueprint or strategy that provides a framework of the development agenda of the municipality. The IDP is developed and reviewed in terms of Chapter 5 of the Municipal Systems Act (2000). The IDP is the principal strategic and decision-making instrument which guides and informs all planning and development in the municipality. It binds the municipality to exercise its executive authority. The municipality must give effect to its integrated development plan and conduct its affairs in a manner which is consistent with its integrated development plan, national and provincial strategies or plans. The MSA enjoins the municipality to conduct an annual review or assessment of the IDP in terms of its performance measurements and the extent of changing circumstances and demands in the municipality for that period. The strategic objectives and targets contained in the IDP were reached subsequent to extensive systematic and structured internal and external consultation through various public participation mechanisms with the community and stakeholders.

3.2 Vision and Mission

The vision and mission of Nkomazi Local Municipality are highlighted herein.

Vision: "A leading local municipality that empowers the community through excellent service delivery"

Mission: "To enhance the quality of life of all the communities in the Nkomazi Local Municipality area through rendering basic services in an efficient and cost-effective manner that adheres to the principles of sustainable development"

3.3 Municipal Priorities

The IDP outlines key priorities identified each year after a thorough consultative process with communities and all other stakeholders. While priorities such as housing and social-infrastructure or facilities – schools, hospitals, police stations, etc. are a competency of provincial and national departments the municipality provides an opportunity for engaging departments to equally respond to the demands of the community in respect of such facilities and services. Resource allocation has a direct bearing on target setting as well as prioritisation of service delivery programmes of the municipality. It is therefore important to highlight that the priorities herein were considered after undertaking a due diligence process of resource prioritisation and allocation in order to respond to community needs and demands. These were considered as critical and therefore included in the IDP under review. The following are some of the key priorities of the municipality which were identified during the year 2016/17.

Table 1 Municipal Priorities

Municipal Key Priorities	
1	Water
2	Sanitation
3	Electricity
4	Refuse Removal and Waste Management
5	Roads and Storm Water
6	Water Conservation
7	Community facilities
8	Local Economic Development
9	Stakeholder Relationships and Inter-Governmental Relations
10	Operation "Clean Audit"

4. BUDGETING AND PERFORMANCE MANAGEMENT INFORMATION

Budgeting and performance management information are critical components of the Service Delivery and Budget Implementation Plan (SDBIP). The annual service delivery plan or SDBIP is compiled and approved based on the identified priorities in the IDP as well as the Budget available for the year. The SDBIP serves as a contract between the municipality and the community. It also provides the municipality with a framework for holding management accountable for the performance of programmes and projects. The MFMA requires that the SDBIP to include revenue projections and expenditure (operating and capital) as well as projections of service delivery targets and performance indicators and specific ward information.

The budgeting and performance management information was re-aligned during the financial year of 2016/17. This process entailed consulting all departments and assessing/evaluating all projects being implemented during the aforementioned financial year. The Mid Term Report (July to December 2016) and the outer quarterly reports (3rd and 4th Quarter Reports) provided the tools of re-aligning project information to the budget and subsequently to the IDP and all other performance management information. Henceforth, the budgeting and performance management information for the financial year 2016/17 was reviewed.

5. PERFORMANCE HIGHLIGHTS AND SUMMARY FOR THE YEAR 2016/17

The performance review reflects on the achievements and the challenges encountered in achieving the municipal strategic commitments and priorities. As a municipality, it is required that it delivers on the mandate by providing better services to communities in its jurisdiction; secondly, NLM needs to ensure that it remains financially sustainable and facilitates the creation of job opportunities within its rural and urban areas. Despite an economic downturn and the challenges resulting from draught, the municipality has been able to extend refuse removal and waste management services to the residences of Boschfontein. A number of water related projects were completed during the year and that has benefitted about 4 791 new households. Furthermore, the municipality has provided electricity access to 695 new households. The planned targets for sanitation and community facilities were also reached.

The tables below illustrate the comparison of the current year performance to the prior year:

Description	2016/17	2015/16	Percentage Movement	Trend
Number of total targets	68	47	44%	↑
Number of targets achieved	47	26	80%	↑
Number of targets partially achieved	11	10	10%	↑
Number of targets not achieved	7	6	17%	↑
Number of targets not applicable	3	5	-40%	↓

The above table shows a trend and comparison of the overall performance results between the two periods. The table below shows that there has been an overall improvement in the organisational performance as significant targets were achieved, and there has been a drop in the number of targets not achieved and those that were partially achieved.

Period (Year)	Targets achieved			Targets partially achieved		Targets not achieved		Targets not applicable	
	Planned targets	Actual targets achieved	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)
2016/17	68	47	70%	11	16%	7	10%	3	4%
2015/16	47	26	55%	10	21%	6	13%	5	11%

6. PERFORMANCE RESULTS 2016/17 AS PER MUNICIPAL KEY PAERFORMANCE AREAS

6.1 Basic Service Delivery

6.1.1 Refuse Removal and Waste Management

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Refuse removal	Improve access to refuse removal services	Number of households with access to refuse removal services	None	1 600 new households with access to refuse removal services by 30 June 2017	1 617 households in targeted areas were able to access refuse removal services	 Achieved	The refuse removal service has been extended to Boschfontein which has 1 617 households	None

6.1.2 Electricity

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Electricity	Improve access to electricity services	Number of households with access to electricity services	554	695 new households provided access to electricity services by 30 June 2017	695 household connections were completed during the year ending 30 June 2017	 Achieved	None	None

6.1.3 Water

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
Water	Improve access to water services	Number of households with access to water services	5 149	Planned	Actual	Partially Achieved	Conflict between Contractors and Rand water over payment disputes delayed the completion of projects as per the planned schedule	Engage Rand Water to comply with their contractual obligations.
				5,674 new households with access to water by 30 June 2017	4,791 households were provided access to water services			
Water	Improve the quality of water	Percentage (%) Score of Blue Drop Status	51.47%	70% score of Blue Drop by 30 June 2017	Blue drop Results not yet released by DWS (Prior year actual 51.5%)	Awaiting test results from DWS	Results are released once in two years and in the current year the DWS started the process late	DWS to expedite the testing process

6.1.4 Sanitation

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
Sanitation	Improve access to sanitation services	Number of households with access to sanitation services	1,830	Planned	Actual	Achieved	None	None
				320 new households by 30 June 2017	320 households provided with sanitation services			

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
	Improve the quality of water	Percentage (%) of Green Drop Status	78.8%	80% Green Drop status and 50% Green drop risk rating by 30 June 2017	Green drop Results not yet released by DWS (Prior Year 78.8%)	Awaiting test results from DWS	Results are released once in two years	DWS to expedite the testing process
	Reduce water loss	% reduction in water loss	36%	2% reduction of water losses by 30 June 2017	3.5% reduction in water loss	● Achieved	Installation of meter readings and water saving campaigns on radio resulted in less distribution loss	None

6.1.5 Roads and Storm-water

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Roads and Storm-water	Improve the municipal road network	Number of Kilometres (km) of municipal road network constructed	23 km	7km of municipal road network constructed (the other projects are multiyear)	17.7 km constructed	● Achieved	Boschfontein and Durban Bus routes were completed earlier than scheduled thus an additional of 10.7km of road constructed	Not applicable
		Number of Kilometres (km) of municipal road network maintained	364 km	300 km of municipal road network maintained	265km of road network maintained	● Partially Achieved	Frequent breakdowns of old Machinery, and emerging backlog	The Mpumalanga department of Public Works provided Machinery, Plant

								due to heavy rains and funerals	and equipment to the municipality to improve road networks
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6.1.6 Community Facilities

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Community facilities	Improve community social facilities and infrastructure	Number of municipal facilities upgraded or constructed	Average completion stage was 61% (As these are multiyear projects)	78% average stage of completion by 30 June 2017 (5 multiyear projects to construct 5 Community facilities)	Average stage of completion for 5 multi-year projects is 90% as at 30 June 2017	 Achieved	These are multi-year projects and the average stage of completion as per the Progress Reports is 90%, for 5 Projects	None

6.1.7 Land Use, Land Ownership and Township Establishment

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Land Use, Land Ownership and Township Establishment	Provide secure land tenure rights and township establishment	Number of formalised settlements	None	5 formalised settlements in progress (Draft General Plan) by June 2017	None	 Not achieved	Inadequacy of institutional mechanism and systems to assess the required technical	The department of Human Settlements has offered technical support to the municipality to ensure delivery on

	Number of approved township establishments	None	1 township establishment completed by June 2017	None	● Not achieved	specification/ aspects of land tenure and township establishment processes consequently delayed the securing of land tenure rights	the issues of land tenure and township establishments.
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6.1.8 Disaster Response (Fire and Rescue)

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Disaster Response (Fire and Rescue)	Create disaster awareness	Number of disaster awareness programmes	4 awareness campaign programmes conducted	4 disaster awareness programmes conducted	4 awareness campaign programmes conducted	● Achieved	None	None
	Upgrade/construct facilities for communities	Number of facilities upgraded/constructed (in disaster prone areas)	None	4 bridges upgraded / constructed	4 bridges upgraded	● Achieved	None ;	None
		Number of kilometres (km) of road and storm water constructed/ upgraded (in disaster prone areas)	None	92km of roads and storm water constructed/ upgraded	92km roads and storm water upgraded	● Achieved	None	None

6.1.9 Expanded Public Works Programme

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Expanded Public Works Programme (EPWP)	Facilitate job creation through the EPWP	Number of job opportunities created through EPWP	354 job opportunities created	360 job opportunities created by 31 December 2016	373 job opportunities created	● Achieved	Less funds were used for the uniform as we retained some of the previous workers and that assisted in creation of additional jobs	None

6.1.10 Environmental Awareness

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Environmental Awareness	Promote environmental awareness	Number of environmental awareness campaigns Conducted	2 environmental campaigns conducted	3 environmental awareness programmes implemented by 30 June 2017	3 environmental awareness campaigns conducted	● Achieved	None	None

6.1.11 Spatial Development (Geographic Information Systems)

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			

Geographic Information Systems (GIS)	Ensure a functional municipal Geographic Information System (GIS)	Percentage (%) user access and satisfaction with spatial information	50%	100% functional Geographical Information System (GIS) by June 2017	100% functional GIS	● Achieved	None	None
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6.2 Local Economic Development

6.2.1 Local Economic Development and Tourism Initiatives

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Local Economic Development and Tourism Initiatives	Facilitate job creation and access to business opportunities	Number of LED and tourism Initiatives implemented	2 high impact initiatives implemented	1 high impact initiative implemented	2 initiatives successfully implemented	● Achieved	None	None

6.2.2 Local Economic Development and Strategy Implementation

Priority Issue (Programme)	Objective	Key Performance Indicator	Baseline (Previous Year)	Performance Target 2016/17	Output Result/	Explanation of Variance
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		(Performance Measure)	Performance Target 2015/16)	Planned	Actual	Trend Achieved	Corrective Measure/ Action Plan
Local Economic Development (LED) Strategies and Policies	Develop and/Review LED and Tourism strategies	Develop LED and Tourism strategies for approval by council	Draft Tourism and LED strategy tabled before Council by 31 March 2016	Review LED and Tourism strategies by 30 June 2017	Draft tourism and LED Strategies not reviewed	 Partially Achieved Awaiting council adoption after inputs and comments from stakeholders	Council adoption and implementation of strategies in the following year

6.2.3 Investment Promotion

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Corrective Measure/ Action Plan
				Planned	Actual		
Investment Promotion	Develop/review Investment Strategy and Investor Incentive Policy	Develop Investment incentive policy for approval by council	None	Investor Incentive Policy approved by June 2017	1 st draft of the Investment Incentive Policy	 Partially Achieved Awaiting comments and inputs from stakeholders	Incorporate comments from Stakeholders, council adoption of the Investment Incentive Policy and implementation in 2017/18

6.2.4 Small, Micro and Medium Enterprise Support

Priority Issue (Programme)	Objective	Key Performance Indicator	Performance Target 2016/17	Output Result/	Explanation of Variance

		(Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Planned	Actual	Trend Achieved		Corrective Measure/ Action Plan
Small, Micro and Medium Enterprise Support	Capacitate SMMEs in communities	Number of SMME's Trained and registered	None – new target	20 SMMEs trained and registered in the database by 30 June 2017	20 SMMEs trained and registered	● Achieved	None	None
		Number of Local tourism authorities (LTOs) trained	None – new target	5 Local tourism authorities trained by 30 June 2017	5 LTOs trained	● Achieved	None	None

6.3 Municipal Transformation and Institutional Development

6.3.1 HIV/AIDS Programme

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
HIV/AIDS Programme	Mainstream issues of HIV/AIDS into municipal affairs	Number of programmes that contribute to HIV/AIDS reduction	3 priority initiatives	73 HIV/AIDS awareness programmes conducted by 30 June 2017	133 awareness programmes conducted	 Achieved	The municipality was able to conduct more awareness campaigns due to external funding from USAID. However, this funding was withdrawn during the year	None

6.3.2 Programmes for Special Groups

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Programmes for Special Groups	Mainstream issues of special groups into municipal affairs	Number of Youth Development programmes	1 youth development programme	1 youth development programme	1 programme for Youth development	 Achieved	None	None
		Number Children's Rights programmes	3 children's rights programmes	3 children's rights programmes	1 programme for Children Rights	 Partially Achieved	The Launch of Junior Council and Take-a-Girl Child to work programmes coincided with school holidays and	Management will engage schools and plan these programmes collectively

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
		Number of programmes for disabled persons	3 programmes for disabled persons	2 programmes for disabled persons	1 programme for disabled persons	● Partially Achieved	exam period respectively The facilitator for the disabled persons programme passed on and finding a replacement caused the delay to implement the planned programme	Job readiness training to be done in the next financial year
		Number of programmes for Elderly Persons	2 programmes for the elderly	2 programmes for the elderly	2 programme for elderly persons	● Achieved	None	None

6.3.3 Municipal By-laws

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2015/16		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Municipal By-laws	Develop and/Review municipal By- laws and policies	Number of approved By-Laws and Policies during financial year (FY)	3 by-laws gazetted and 21 Policies reviewed	4 By-laws and 50 Policies by 30 June 2017	4 By-laws and 45 policies reviewed	● Partially Achieved	Focus shifted to Revenue related By- laws and Policies due to the development of Revenue enhancement strategy	Additional policies to be reviewed in the next financial year

6.3.4 Performance Management

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Performance Management	Implement a municipal-wide Performance Management System	Number of departments implementing performance management	5 Departments implementing PMS	5 departments implementing performance management	5 Departments implementing PMS	● Achieved	None	None
		Cascade Individual PMS to Task Level 12 – 17	Only section 56/57 managers have performance contracts	Cascade performance management to 3 Task Levels (T12, T14 and T17) by 30 June 2017	Individual Performance Management System not cascaded to task levels 12;14 and 17	● Not achieved	Lack of human capacity in the PMS unit and the Negotiations with the relevant labour unions and SALGA only commenced later in the year	Budget has been allocated for additional staff within the unit in the 2017/18
		Number of performance reviews conducted	4 PMS reviews conducted	4 PMS quarterly reviews conducted respectively by end of FY 16/17	4 PMS reviews conducted	● Achieved	None	None

6.3.5 Skills Development

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Skills Development	Implement the Workplace Skills Plan (WSP)	Number of training programmes implemented as per WSP by end of financial year	24 trainings conducted	34 training programmes implemented by the end of FY 16/17	23 trainings programmes implemented	 Partially Achieved	The source of funding for the training programmes consisted of grant funding and own municipal revenue. The escalation in the costs of training resulted in lesser training programmes implemented during the year.	Motivate for adequate budget and secure additional funding from SETA

6.3.6 Student Financial Support Programme

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Student Financial Support Programme	Provide financial support to needy students for their first-year registration	Number of needy students received or benefited from financial support	71 students assisted with registration	40 students financially assisted to register for first year (at tertiary) by 30 June 2017	54 students financially assisted	 Achieved	Registration fees were lower than anticipated hence more students were registered	Not applicable

6.3.7 Employee Assistance Programme

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Employee Assistance Programme (EAP)	Facilitate the Employee Assistance Programme (EAP)	Number of employee wellness campaigns	4 campaigns	4 campaigns by 30 June 2017	4 employee wellness campaigns conducted	● Achieved	None	None

6.3.8 Occupational Health and Safety

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Occupational Health and Safety (OHS)	Monitor occupational health and safety (OHS) of employees	Number of health risk assessments conducted	4 health risk assessments	4 health risk assessments and respective reports issued by 30 June 2017	4 reports issued on health risk assessments	● Achieved	None	None

6.3.9 Information Technology

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Information Technology (IT)	Ensure effective and efficient information management	Percentage completion of ICT software upgrade for full mSCOA implementation	None	100% completion of ICT software upgrade for full mSCOA implementation by 30 June 2017	100%	● Achieved	None	None

6.4 Good Governance and Public Participation

6.4.1 Stakeholder Relationships and Inter-Governmental Relations

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Stakeholder Relationships and Inter-Governmental Relations	Strengthen stakeholder relations and inter-governmental relations	Number of Traditional Leadership summits and consultative meeting held	None	1 Summit held by end of the FY 16/17	1 Summit held	● Achieved	None	None

6.4.2 Ward Committees

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Ward Committees	Promote a culture of participatory democracy and governance	Number of quarterly performance reports from Ward Committees submitted during the financial year	4 consolidated quarterly performance reports from 33 ward committees in the municipality	4 consolidated ward committee reports	2 consolidated ward committee reports issued	● Partially Achieved	Local government elections were held in the first quarter and that resulted in the delays on the establishment of ward committees hence there were no reports as at mid-year	Not applicable as the Ward committees have been established.

6.4.3 Community Development Workers

Priority/Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Community Development Workers (CDWs)	Promote Community Development Workers (CDW)	Number of community development projects	4 consolidated quarterly performance reports of CDWs in the municipality	4 Consolidated Quarterly community Development workers Reports	4 consolidated quarterly CDWs performance reports	● Achieved	None	None

6.4.4 Mayoral Outreach Programme

Priority/Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Mayoral Outreach Programme	Facilitate the Mayoral Community Outreach Programme	Number of community imbizo programmes conducted	1 mayoral community outreach programmes	Conduct 1 community Imbizo by 30 June 2017	1 mayoral imbizo	● Achieved	Costs were kept at minimal since own revenue was used for this programme and the municipality has limited own revenue sources	None

6.4.5 Community Events

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Community Events	Promote social cohesion among communities	Number of programmes implemented by end of financial year	4 programmes - sports development - Masakhane - mayoral cup - Arts and Culture	4 events - sports development - Masakhane - mayoral cup - Arts and Culture	4 events held	● Achieved	None	None

6.4.6 Council Support

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Council Support	Provide support to Council	Number of Council meetings successfully held as scheduled	4 Council meeting successfully held as scheduled	4 Council meetings successfully held as scheduled	4 General Council meetings were held	● Achieved	None	None
		Number of quarterly reports with Council resolutions and implementation action plan	4 Quarterly Reports submitted to Council as scheduled	4 Quarterly Reports submitted to Council as scheduled during the FY 16/17	4 Quarterly reports submitted to council	● Achieved	None	None

6.4.7 Internal Audit

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
Internal Audit	Improve governance and internal controls	Number of audit findings successfully adhered to as identified by AG in previous financial year (2015/16)	3	Planned	Less (<) than 3 recurring audit findings	 Partially Achieved	Suppliers are not always paid within 30 days, resolving non-compliances with SCM regulations is still work in progress and Preparation of creditors reconciliation	Monitor the action plan more frequently.
				Actual	3 recurring findings			

6.4.8 Risk Management

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
Risk Management	Mitigate risks to the municipality	Number of strategic and operational risk assessments conducted	4 strategic risks 4 operational risks	Planned	4 strategic and operational risk assessments conducted by end of financial year 16/17	 Achieved	None	None
				Actual	4 Risk assessments conducted			

6.4.9 Communication and Marketing

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Communication and Marketing	Promote the municipal corporate image	Number of publications issued and/or promotional events	4 activities implemented	6 marketing/promotional activities by 30 June 2017	6 marketing/promotional activities	 Achieved	None	none

6.4.10 Integrated Development Planning

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Integrated Development Planning (IDP)	Maintain a responsive Integrated Development Plan (IDP)	Develop a responsive IDP	MEC's comments on the 2015/2016 IDP	Approved IDP in line with chapter 4 and 5 of the MSA No. 32 of 2000 by 30 June 2017	2017/18 IDP approved by council	 Achieved	None	None
		Number of integrated sector plans developed	No Rural Development Strategy developed	1 Sector Plan developed by 30 June 2017	Draft rural development strategy	 Partially Achieved	Awaiting council approval of draft rural strategy after inputs from stakeholders	Submit Draft Rural Development Strategy to Municipal Council for approval

6.5 Municipal Financial Viability and Management

6.5.1 Indigent Register

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Indigent Register	Provide free basic services to indigent households	Number of indigents receiving free basic services	20 952	10,000 indigent households register	12 952 registered indigents	● Achieved	The municipality experienced an increase in the number of registered indigents	None

6.5.2 Valuation Roll

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Valuation Roll	Maintain a credible Valuation Roll	Percentage (%) complete and updated Supplementary Valuation Roll	100% completion of the Supplementary Valuation Roll	100% completion of the Supplementary Valuation Roll by 30 June 2017	100% supplementary valuation roll completed	● Achieved	None	None

6.5.3 Operation Clean Audit

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/Trend Achieved	Explanation of Variance	Corrective Measure/Action Plan
				Planned	Actual			
Operation Clean Audit	Improve audit outcome and effective governance	Audit opinion as expressed by Auditor General South Africa	Unqualified Audit Opinion with findings (15/16)	Unqualified Audit Opinion with no findings (16/17)	Audit opinion to be known by 30 November 2017	Awaiting audit opinion	Audit opinion to be known by 30 November 2017	None

6.5.4 Cash Flow Management

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/Trend Achieved	Explanation of Variance	Corrective Measure/Action Plan
				Planned	Actual			
Cash Flow Management	Ensure efficient and effective cash flow management	Positive current financial viability ratio	Current ratio of 1.5:1 by 30 June 2017	Current ratio of 1.5:1 by 30 June 2017	Current ratio is 1.3:1	 Not achieved	Although target was not achieved in terms of an acceptable financial level there was an improvement in the current ratio compared to the prior year.	None
		Number of bank reconciliations prepared and reviewed	None	12 bank reconciliations prepared and reviewed	12 Bank reconciliations prepared and reviewed	 Achieved	None	None

6.5.5 Asset Management

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Asset Management	Manage, control and maintain all assets of the municipality	Percentage (%) of assets verification / count for current year (according to the fixed assets register)	100%	100% count of the assets in the fixed assets register by 30 June 2017	100% Fixed assets counted	● Achieved	None	None
		Percentage (%) actual amount spent on repairs and maintenance of assets	8%	Repairs and maintenance costs be less than or equal to 2% of the total assets	Repairs and maintenance actual of 1.5% of the total assets is realised	● Achieved	None	None

6.5.6 Expenditure Management

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Expenditure and Creditors Management	Maintain effective systems of expenditure controls	Develop expenditure procedure manual	N/A - New	Expenditure Procedure Manual developed by 30 June 2017	Expenditure procedure manual not developed	● Not achieved	Was planned to be done internally but due to time constraints it is impossible	Allocated funds and appoint a service provider
		Reduce the number of days of creditors payments	145 days	75 days	43 days	● Achieved	None	None
		Reduce employee remuneration as % of Total Operating Expenditure to be within NT norm.	42%	38% employee remuneration of the total operating expenditure	42%	● Not achieved	Overtime and travelling costs are variable and are influenced by various factors such as aging infrastructure	Amend the overtime policy and monitor adherence to the policy
		Number of creditor reconciliations prepared and reviewed	12 reconciliations	12 creditor reconciliations prepared and reviewed	12 creditors reconciliations prepared and reviewed	● Achieved	None	None

6.5.7 Budget and Financial Reporting

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
MFMA Statutory Reports	Submit MFMA statutory reports on time	Number of monthly reports (s71) submitted	12	12 signed monthly reports and quality certificate	12 monthly reports submitted timeously	● Achieved	None	None
		Number of Midyear report (s72) submitted	1	1 signed mid- year report and quality certificate	2016/17 Mid- year report approved by council	● Achieved	None	None
		Number of budget adjustment report submitted (s28)	1	Budget adjustment report (s28) adopted by Council	Budget adjustment report was adopted by council on 28 February 2017	● Achieved	None	None
		Number of Annual Financial Statements (AFS) submitted	1	1 signed copy of AFS and acknowledgeme nt of receipt by AG	2015/16 AFS submitted to AGSA by 31 August 2016	● Achieved	None	None

6.5.8 Revenue and Debtors Management

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Revenue and Debtors Management	Increase collection rate	Percentage (%) increase in collection rate	78%	86%	97%	● Achieved	None	None
	Reduce number of debtors' days	Reduction in the number of debtors' days	209 days	119 days	198 days	● Not achieved	Residents of Leopard Creek were not paying property rates due to a legal dispute with the municipality	The case is still in the courts seeking to resolve in order to settle payment over an agreed period
	Debtors reconciliations	Number of debtors' reconciliations prepared and reviewed	12	12 signed debtors' reconciliations	12 Debtors reconciliations were done and reviewed as planned	● Achieved	None	None

6.5.9 Municipal Standard Chart of Accounts (mSCOA) Implementation

Priority Issue (Programme)	Objective	Key Performance Indicator (Performance Measure)	Baseline (Previous Year Performance Target 2015/16)	Performance Target 2016/17		Output Result/ Trend Achieved	Explanation of Variance	Corrective Measure/ Action Plan
				Planned	Actual			
Municipal Standard Chart of Accounts (mSCOA) Implementation	Implement the Municipal Standard Chart of Accounts (mSCOA)	Percentage (%) implementation of the mSCOA	None	100% mSCOA implementation by 30 Jun-17	MSCOA 100% implemented	● Achieved	None	None

CHAPTER 5: ANNUAL FINANCIAL STATEMENTS 2016/17



Nkomazi Municipality

Nkomazi Local Municipality

**Annual Financial Statements
for the year ended 30 June 2017**

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

Nature of business and principal activities

Providing municipal services

Mayoral committee

Executive Mayor

Speaker

Chief whip

Members of mayoral committee

Khoza TS

Shongwe MR

Mabuza S

Mahlalela SS (Budget and Treasury)

Magagula PP (Planning and Development)

Shungube ZI (Corporate Services)

Mashele SJ (Community and Social Services)

Mziako PM (Infrastructure)

Chambale IM

Dikiza GK

Khoza DM

Khoza MR

Lamini-Zitha SP

Lubisi MT

Lubisi NF

Lubisi PN (Deceased)

Luphoko PC

Lusibane FN

Mabuza VE

Madlopha TA

Magagula BS

Magagula FK

Mahlalela MM

Malaza BB

Manzini NE

Maphanga NP

Mashele SJ

Masilela TE

Masuku SH

Mathonsi SS

Mavuso DD

Mazibuko DG

Mkhatshwa IP

Mkhatshwa SL

Mkhatshwa TM

Mkhonto BE

Mkhonto DG

Mndawe SO

Mnisi IT

Mogibe GN

Móosa VC

Motha CM

Mtetwa JM

Mthombo TM

Ndlovu PF

Ngcane EZ

Ngomane FN

Councillors

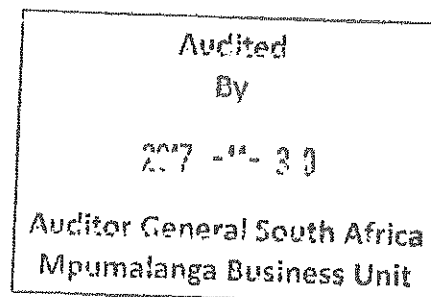
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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

General Information

	Ngomane LP Ngomane MP Nkala KP Nkalanga ML Nkosi JM Nkosi NM (Deceased) Nkosi TS Preddy MMS Shabangu JC Shisane TC Shongwe BC Shongwe MD Shongwe NF Sibiya GP Siboza JT Sindane MJ Thumbathi NP Tiwane BM Vuma LT
Grading of local authority	4
Chief Finance Officer (CFO)	Mathaba SZ (Acting CFO)
Business address	Civic Centre 9 Park Street Malelane 1320
Postal address	Private Bag X101 Malelane 1320
Contact no	013 790 0245
Bankers	ABSA Bank Nelspruit
Auditors	The Auditor-General
Demarcation code	MP324
Accounting Officer	Ngwenya M D



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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The reports and statements set out below comprise the annual financial statements presented to the council:

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

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COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and will be given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

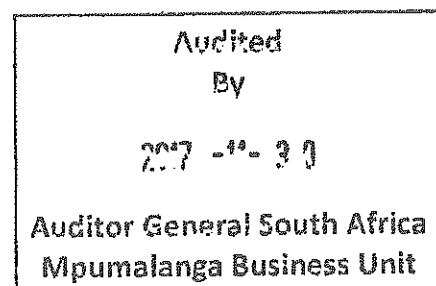
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by the municipality's external auditors and their report is expected before 30 November 2017.

The accounting officer is responsible for the preparation of these annual financial statements, which are set out on the attached pages, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the notes of the attached annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act. The annual financial statements set out on pages 6 to 77, which have been prepared on the going concern basis, were approved by the accounting officer, 31 August 2017.

MD Ngwenya
Municipal Manager



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

The municipality is a medium capacity municipality, engaged in providing municipal services. It delivers basic services such as water, electricity and refuse removal services to the Malelane, Komatipoort, Marloth Park and Hectorspruit region. The municipality provides free water and refuse removal services to rural areas within the local sphere of Nkomazi.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net annual surplus of the municipality was R 261 391 095 (2016: Net annual surplus R 288 856 174).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any material matter or circumstance arising since the end of the financial year.

4. Accounting policies

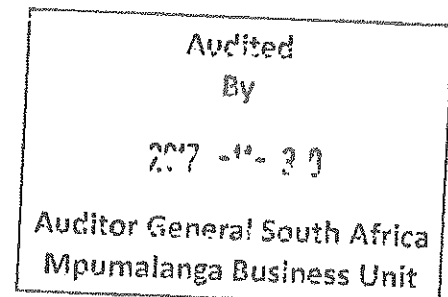
The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board.

5. Accounting Officer

The accounting officer of the municipality at the date of this report is mentioned on page 2.

6. Auditors

The Auditor-General will continue in office for the next financial period.



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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Inventories	5	3 812 440	2 990 753
Operating lease asset	16	22 542	36 952
Receivables from exchange transactions	6	1 574 080	1 732 552
Receivables from non-exchange transactions	7	76 137 256	109 896 200
VAT receivable	8	40 741 435	72 541 053
Consumer debtors - exchange transactions	9	23 590 173	30 117 429
Deposits made	17	15 742 607	13 794 568
Cash and cash equivalents	10	120 688 260	65 079 610
		282 288 793	296 189 117
Non-Current Assets			
Investment property	3	44 362 146	44 495 442
Property, plant and equipment	4	1 751 724 524	1 596 025 882
Intangible assets	11	1 402 371	390 481
Heritage assets	12	1 621 944	1 621 944
Operating lease asset	16	57 691	81 902
		1 799 168 676	1 642 615 651
Total Assets		2 081 457 469	1 938 804 768
Liabilities			
Current Liabilities			
Other financial liabilities	14	704 954	554 557
Finance lease obligation	15	2 129 557	211 558
Operating lease liability	16	134 743	155 694
Trade and other payables from exchange transactions	18	175 839 102	293 358 878
Unspent conditional grants and receipts	19	14 204 188	29 537 331
Provisions	20	33 044 980	30 579 569
		226 057 524	354 397 587
Non-Current Liabilities			
Other financial liabilities	14	836 001	1 592 460
Finance lease obligation	15	3 942 311	-
Operating lease liability	16	60 997	20 023
Employee benefit obligation	21	31 791 000	30 830 000
Provisions	20	22 906 672	17 492 829
		59 536 981	49 935 312
Total Liabilities		285 594 505	404 332 899
Net Assets		1 795 862 964	1 534 471 869
Accumulated surplus		1 795 862 964	1 534 471 869

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue			
Revenue from exchange transactions			
Service charges	25	121 316 173	105 243 043
Rental of facilities and equipment	26	3 646 374	5 788 012
Interest earned - debtors		11 428 648	7 186 530
Agency services		13 514 315	8 416 286
Recoveries	30	732 393	434 080
Other income	31	8 680 562	9 065 486
Interest earned - external	27	10 855 075	7 002 652
Total revenue from exchange transactions		170 173 540	143 136 089
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	105 560 426	107 043 648
Transfer revenue			
Government grants & subsidies	28	828 018 698	739 562 911
Public contributions and donations	29	1 555 763	-
Fines	23	23 328 917	36 555 216
Licences and permits	23	13 794	5 676
Total revenue from non-exchange transactions		958 477 598	883 167 451
Total revenue	23	1 128 651 138	1 026 303 540
Expenditure			
Employee related cost	32	(325 772 857)	(310 312 701)
Remuneration of councillors	33	(22 964 859)	(21 329 482)
Depreciation and amortisation	34	(55 906 343)	(52 512 109)
Impairment loss	35	(23 924 311)	(11 293 291)
Finance costs	36	(7 005 377)	(8 387 914)
Debt Impairment	37	(73 828 991)	(41 687 153)
Bulk purchases	39	(79 294 753)	(84 652 027)
Contracted services	38	(35 601 165)	(33 195 828)
Transfers and grants		(16 580 734)	-
General expenses	40	(228 319 950)	(194 600 881)
Total expenditure		(869 199 340)	(757 971 386)
Operating surplus		259 451 798	268 332 154
Gain / (Loss) on disposal of assets		(1 251 703)	(2 660 980)
Actuarial gains/(losses)	21	3 191 000	23 185 000
		1 939 297	20 524 020
Surplus for the year		261 391 095	288 856 174

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2015	1 248 168 863	1 248 168 863
Changes in net assets	288 856 174	288 856 174
Surplus for the year	288 856 174	288 856 174
Total changes	1 537 025 037	1 537 025 037
Opening balance as previously reported	(2 553 168)	(2 553 168)
Adjustments		
Correction of errors	1 534 471 869	1 534 471 869
Balance at 01 July 2016 as restated*		
Changes in net assets	261 391 095	261 391 095
Surplus for the year	261 391 095	261 391 095
Total changes	1 795 862 964	1 795 862 964
Balance at 30 June 2017		
Note(s)	41	

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Sale of goods and services		313 342 650	283 546 203
Grants		828 018 699	739 562 911
Interest income		10 855 075	7 002 652
		<u>1 152 216 424</u>	<u>1 030 111 766</u>
Payments			
Employee costs		(348 737 716)	(328 261 191)
Suppliers		(506 531 298)	(326 741 311)
Finance costs		(7 005 377)	(8 387 914)
		<u>(862 274 391)</u>	<u>(863 390 416)</u>
Net cash flows from operating activities	42	<u>289 942 033</u>	<u>366 721 350</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(253 493 836)	(335 733 747)
Proceeds from sale of property, plant and equipment	4	17 054 756	1 976 205
Purchase of other intangible assets	11	(1 220 512)	(265 744)
Purchase of deposits made		(1 948 039)	(4 778 733)
Net cash flows from investing activities		<u>(239 607 631)</u>	<u>(338 802 019)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(606 062)	(516 258)
Finance lease proceeds / (repayments)		5 860 310	(437 799)
Net cash flows from financing activities		<u>5 254 248</u>	<u>(954 057)</u>
Net increase/(decrease) in cash and cash equivalents		<u>55 588 650</u>	<u>26 965 274</u>
Cash and cash equivalents at the beginning of the year		65 079 610	38 114 336
Cash and cash equivalents at the end of the year	10	<u>120 668 260</u>	<u>65 079 610</u>

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	116 565 872	8 018 271	124 584 143	121 316 173	(3 267 970)	
Rental of facilities and equipment	8 475 369	(2 022 870)	6 452 499	3 646 374	(2 806 125)	54.1
Interest earned - debtors	4 920 739	4 516 633	9 437 372	11 428 648	1 991 276	54.2
Agency services	15 693 679	(9 266 351)	6 427 328	13 514 315	7 086 987	54.3
Recoveries	338 092	520 243	858 335	732 393	(125 942)	54.4
Other income	8 721 945	1 628 086	10 350 031	8 680 562	(1 669 469)	54.5
Interest earned - external	4 310 174	1 248 214	5 558 388	10 855 075	5 296 687	54.6
Total revenue from exchange transactions	159 025 870	4 642 226	163 668 096	170 173 540	6 505 444	

Revenue from non-exchange transactions

Taxation revenue

Property rates	117 928 959	-	117 928 959	105 560 426	(12 368 533)	
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Transfer revenue

Government grants & subsidies	784 778 000	66 785 185	851 563 185	828 018 698	(23 544 487)	54.7
Public contributions and donations	-	-	-	1 555 763	1 555 763	54.10
Fines	5 943 799	299 486	6 243 285	23 328 917	17 085 632	54.8
Licences and permits	24 045	(21 080)	2 965	13 794	10 829	54.9

Total revenue from non-exchange transactions

Total revenue from non-exchange transactions	908 674 803	67 063 591	975 738 394	958 477 598	(17 260 796)	
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Total revenue

Expenditure

Personnel	(301 585 384)	(8 560 751)	(310 146 135)	(325 772 857)	(15 626 722)	
Remuneration of councillors	(24 298 639)	(5 456)	(24 304 095)	(22 964 859)	1 339 236	
Depreciation and amortisation	(64 967 925)	-	(64 967 925)	(55 906 343)	9 061 582	
Impairment loss/ Reversal of impairments	(4 099 884)	-	(4 099 884)	(23 924 311)	(19 824 427)	
Finance costs	(469 251)	(229 031)	(698 282)	(7 005 377)	(6 307 095)	54.11
Debt impairment	(18 935 753)	-	(18 935 753)	(73 828 991)	(54 893 238)	54.12
Bulk purchases	(66 522 793)	-	(66 522 793)	(79 294 753)	(12 771 960)	54.13
Contracted services	(33 221 188)	(30 707 778)	(63 928 966)	(35 601 165)	28 327 801	54.14
Transfers and grants	-	-	-	(16 580 734)	(16 580 734)	54.10
General Expenses	(195 843 631)	4 542 606	(191 301 025)	(228 319 950)	(37 018 925)	54.15
Total expenditure	(709 944 448)	(34 960 410)	(744 904 858)	(869 199 340)	(124 294 482)	
Operating surplus	357 756 225	36 745 407	394 501 632	259 451 798	(135 049 834)	
Gain / (Loss) on disposal of assets	-	-	-	(1 251 703)	(1 251 703)	54.16
Actuarial gains/(losses)	-	-	-	3 191 000	3 191 000	54.17
	-	-	-	1 939 297	1 939 297	
Surplus / (deficit) before taxation	357 756 225	36 745 407	394 501 632	261 391 095	(133 110 537)	

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Nkomazi Local Municipality

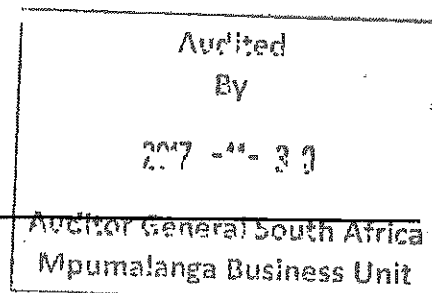
Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	357 756 225	36 745 407	394 501 632	261 391 095	(133 110 537)	

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	822 107	2 342 109	3 164 216	3 812 440	648 224	54.18
Operating lease asset	-	36 952	36 952	22 542	(14 410)	54.19
Receivables from exchange transactions	-	1 732 552	1 732 552	1 574 080	(158 472)	
VAT receivable	6 323 210	66 217 843	72 541 053	40 741 435	(31 799 618)	54.20
Consumer debtors	227 043 436	(71 468 561)	155 574 875	99 727 428	(55 847 447)	54.21
Deposits made	-	13 794 568	13 794 568	15 742 607	1 948 039	54.22
Current portion of long-term receivables	9 015 835	(9 015 835)	-	-	-	
Cash and cash equivalents	74 979 986	(9 900 376)	65 079 610	120 668 280	55 588 650	54.23
	318 184 574	(6 260 748)	311 923 826	282 288 792	(29 635 034)	

Non-Current Assets

Investment property	44 798 130	(302 688)	44 495 442	44 362 146	(133 296)	
Property, plant and equipment	2 348 923 518	(471 599 703)	1 877 323 815	1 751 724 524	(125 599 291)	54.24
Intangible assets	1 079 604	(19 123)	1 060 481	1 402 371	341 890	
Heritage assets	1 621 944	-	1 621 944	1 621 944	-	
Operating lease asset	129 934	(48 032)	81 902	57 691	(24 211)	54.19
	2 396 553 130	(471 969 548)	1 924 583 584	1 799 168 676	(125 414 908)	
Total Assets	2 714 737 704	(478 230 294)	2 236 507 410	2 081 457 468	(155 049 942)	

Liabilities

Current Liabilities

Other financial liabilities	291 297	79 947	371 244	704 954	333 710	
Finance lease obligation	-	-	-	2 129 557	2 129 557	54.26
Operating lease liability	-	-	-	134 743	134 743	54.27
Trade and other payables from exchange transactions	94 390 495	101 741 210	196 131 705	175 839 093	(20 292 612)	54.28
Unspent conditional grants and receipts	-	-	-	14 204 188	14 204 188	54.29
Provisions	43 683 214	-	43 683 214	33 044 980	(10 638 234)	54.30
	138 365 006	101 821 157	240 186 163	226 057 515	(14 128 648)	

Non-Current Liabilities

Other financial liabilities	1 439 182	(131 370)	1 307 812	836 001	(471 811)	54.25
Finance lease obligation	-	-	-	3 942 311	3 942 311	54.26
Operating lease liability	-	-	-	60 997	60 997	54.27
Employee benefit obligation	-	30 830 000	30 830 000	31 791 000	961 000	
Provisions	58 615 274	(10 542 076)	48 073 198	22 906 672	(25 166 526)	54.30
	60 054 456	20 156 554	80 211 010	59 536 981	(20 674 029)	
Total Liabilities	198 419 462	121 977 711	320 397 173	285 594 496	(34 802 677)	
Net Assets	2 516 318 242	(600 208 005)	1 916 110 237	1 795 862 972	(120 247 265)	

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Total Liabilities
by
Net Assets

2017 - 11 - 30

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2 516 318 242	(600 208 005)	1 916 110 237	1 795 862 972	(120 247 265)	

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Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance as % of final budget	Actual outcome as % of original budget
2017										
Financial Performance										
Property rates	117 928 959	-	117 928 959	-	-	117 928 959	105 560 426	(12 368 533)	90 %	90 %
Service charges	116 565 872	8 018 271	124 584 143	-	-	124 584 143	121 316 173	(3 267 970)	97 %	104 %
Investment revenue	4 310 174	1 248 214	5 558 388	-	-	5 558 388	10 855 075	5 296 687	195 %	252 %
Transfers recognised - operational	460 207 165	(1 675 785)	458 531 380	-	-	458 531 380	464 191 082	5 659 702	101 %	101 %
Other own revenue	44 117 668	(4 345 853)	39 771 815	-	-	39 771 815	64 536 003	24 764 188	162 %	146 %
Total revenue (excluding capital transfers and contributions)	743 129 838	3 244 847	746 374 685	-	-	746 374 685	766 458 759	20 084 074	103 %	103 %
Employee costs	(301 585 384)	(8 560 751)	(310 146 135)	-	-	(310 146 135)	(325 772 857)	(15 626 722)	105 %	108 %
Remuneration of councillors	(24 298 639)	(5 456)	(24 304 095)	-	-	(24 304 095)	(22 964 859)	1 339 236	94 %	95 %
Debt impairment	(18 935 753)	-	(18 935 753)	-	-	(18 935 753)	(73 828 991)	(54 893 238)	390 %	390 %
Depreciation and asset impairment	(69 067 809)	-	(69 067 809)	-	-	(69 067 809)	(79 830 654)	(10 762 845)	116 %	116 %
Finance charges	(469 251)	(229 031)	(698 282)	-	-	(698 282)	(7 005 377)	(6 307 095)	1 003 %	1 493 %
Materials and bulk purchases	(68 891 822)	30 627	(68 861 195)	-	-	(68 861 195)	(79 294 753)	(10 433 558)	115 %	115 %
Transfers and grants	(234 625)	(20 000)	(254 625)	-	-	(254 625)	(16 580 734)	(16 326 109)	6 512 %	7 067 %
Other expenditure	(226 461 166)	5 731 979	(220 729 187)	(31 907 778)	-	(252 636 965)	(265 172 818)	(12 536 853)	105 %	117 %
Total expenditure	(709 944 449)	(3 052 632)	(712 997 081)	(31 907 778)	-	(744 904 859)	(870 451 043)	(125 546 184)	117 %	123 %
Surplus/(Deficit)	33 185 389	192 215	33 377 604	(31 907 778)	-	1 469 826	(103 992 284)	(105 462 110)	(7 075)%	(313)%

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Annual Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments (i.t.o. council approved policy)	Shifting of funds (i.t.o. s31 of the MFMA)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	324 570 835	68 460 970	393 031 805	-	393 031 805	363 827 617		(29 204 188)	93 %	112 %
Contributions recognised - capital and contributed assets	-	-	-	-	-	1 555 763		1 555 763	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	357 756 224	68 653 185	426 409 409	(31 907 778)	394 501 631	261 391 096		(133 110 535)	66 %	73 %
Surplus/(Deficit) for the year	357 756 224	68 653 185	426 409 409	(31 907 778)	394 501 631	261 391 096		(133 110 535)	66 %	73 %
Capital expenditure and funds sources										
Total capital expenditure	354 404 835	53 560 970	407 965 805	(31 907 778)	376 058 027	254 180 574		(121 877 453)	68 %	72 %
Sources of capital funds										
Transfers recognised - capital	324 570 835	53 460 970	378 031 805	(31 907 778)	346 124 027	229 805 222		(116 318 805)	66 %	71 %
Internally generated funds	29 834 000	100 000	29 934 000	-	29 934 000	24 375 352		(5 558 648)	81 %	82 %
Total sources of capital funds	354 404 835	53 560 970	407 965 805	(31 907 778)	376 058 027	254 180 574		(121 877 453)	68 %	72 %

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

In determining the allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. The municipality make use of discount rates, expected payment rates and period going forward as assumptions in estimating the impairment of trade receivables.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21.

Effective interest rate

The municipality used an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows. Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of financial instruments, revenue and expenses at initial recognition. The adjustments requires a degree of estimation around the discount rates and periods used.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Useful lives and residual values

The municipality re-assesses the useful lives and residual values of property, plant and equipment on an annual basis. In re-assessing the useful lives and residual values of property, plant and equipment - management considers the conditions and use of individual assets, to determine the remaining period over which the asset can and will be used.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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1.3 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value on a straight line method over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite
Property - buildings	10 - 30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	N/A	Indefinite
Buildings	Straight line	5 - 30 years
Plant and machinery	Straight line	2 - 15 years
Furniture and fixtures	Straight line	3 - 10 years
Motor vehicles	Straight line	4 - 15 years
IT equipment	Straight line	3 - 10 years
Infrastructure		
• Roads and paving	Straight line	3 - 100 years
• Electricity	Straight line	3 - 80 years
• Water	Straight line	10 - 100 years
• Sewerage	Straight line	10 - 60 years
• Solid waste disposal	Straight line	5 - 55 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

Game

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Accounting Policies

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1.4 Property, plant and equipment (continued)

The municipality recognises game asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Game assets is initially measured at cost

Where game asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition or game count.

Subsequent to initial recognition game assets are measured at cost less accumulated impairment losses.

The municipality derecognises game asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of game asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the game asset. Such difference is recognised in surplus or deficit when the game asset is derecognised.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 - 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset will be disclosed in note of Heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

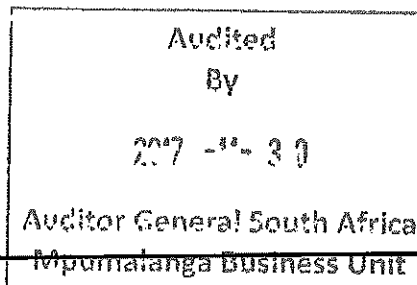
Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

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Accounting Policies



1.6 Heritage assets (continued)

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

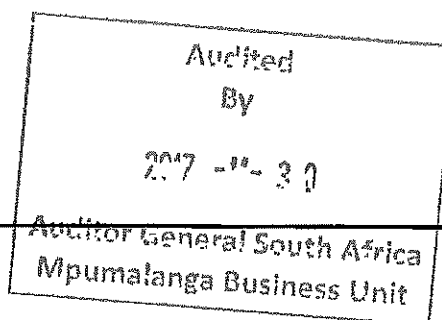
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies



1.7 Financial Instruments (continued)

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessional loan is in fact a loan. On initial recognition, the entity analyses a concessional loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessional loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.7 Financial Instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

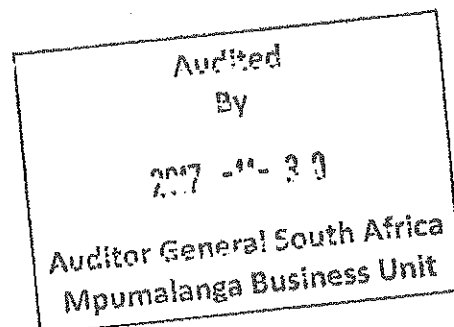
The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.



Nkomazi Local Municipality

Annual Financial Statements for the year ended 30 June 2017

Accounting Policies

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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1.7 Financial Instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

When the straight-lined lease payments recognised as expense is less than the contractual payments, the difference is accounted as operating lease asset. When the straight-lined lease payments recognised as expense is more than the contractual payments, the difference is accounted as operating lease liability. Any contingent rents are expensed in the period in which they are incurred.

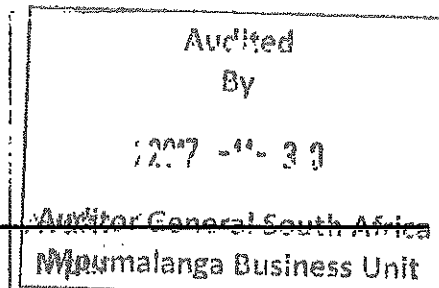
1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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1.9 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of water inventories is assigned using the weighted average cost formula. The First In First Out (FIFO) cost formula is used for all other inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

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1.10 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (Individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

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1.11 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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1.12 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

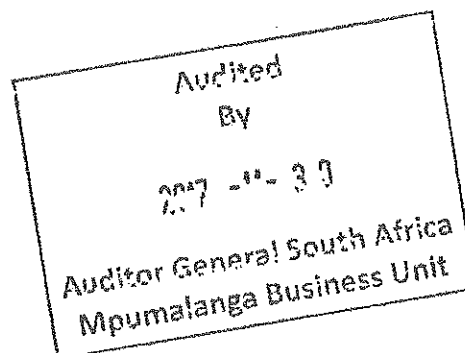
The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.



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1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

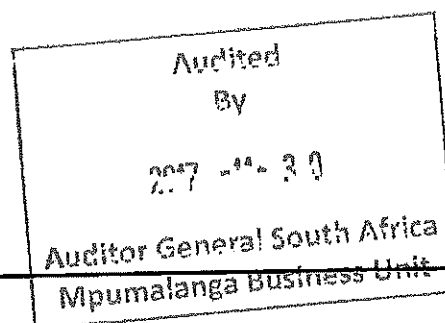
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1.12 Employee benefits (continued)

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

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1.12 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

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1.13 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Services Charges

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sewerage are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category.

Revenue from Agency services

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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1.15 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Fines

Revenue from traffic fines is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured. Subsequent to initial recognition and measurement, the municipality assesses the collectability of the revenue and recognise an impairment loss where appropriate.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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Accounting Policies

1.17 Comparative figures (continued)

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current financial year the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. The comparative figures (accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to the implementation of the new GRAP standards.

1.18 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

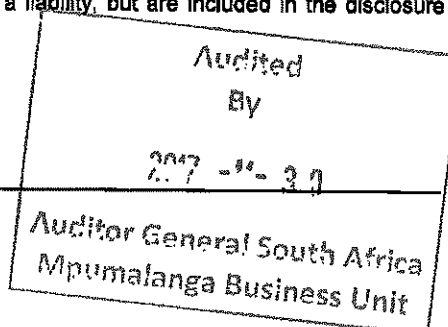
1.22 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- Approved and already contracted services;
- Approved by accounting officer not yet contracted services; or

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1.22 Commitments (continued)

- Where disclosure is required by specific standard of GRAP

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015/07/01 to 2018/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered in arm's length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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Accounting Policies

1.27 Value Added Tax

The municipality accounts for Value Added Tax on payment basis.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2016	No impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2016	No impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2016	No impact
• GRAP 16 (as amended 2016): Investment Property	01 April 2016	No impact

2.2 Standards and interpretations issued, but not yet effective

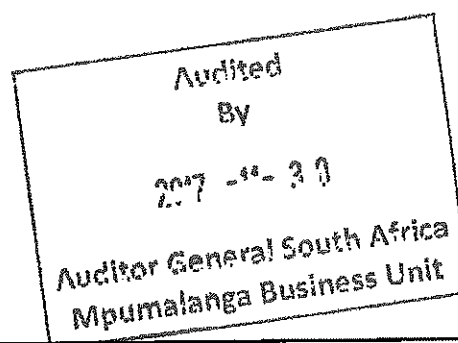
The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2017	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2017	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2017	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2017	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2017	Unlikely there will be a material impact

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2018	Unlikely to have material impact



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3. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	46 445 555	(2 083 409)	44 362 146	46 445 555	(1 950 113)	44 495 442

Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	44 495 442	(133 296)	44 362 146

Reconciliation of investment property - 2016

	Opening balance	Impairments	Depreciation	Total
Investment property	44 798 130	(85 427)	(217 261)	44 495 442

Pledged as security

No assets were pledged as security.

Impairment of assets

Buildings	-	85 427
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Other disclosure

There were no operating costs incurred related to the investment property.

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4. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	142 211 238	-	142 211 238	142 211 238	-	142 211 238
Buildings	130 558 146	(46 555 888)	84 002 258	128 650 797	(38 822 031)	89 828 766
Plant and machinery	30 132 192	(17 382 374)	12 749 818	27 371 323	(14 783 525)	12 587 798
Furniture and fixtures	9 433 592	(6 861 064)	2 572 528	8 196 834	(6 422 892)	1 773 942
Motor vehicles	41 202 599	(23 817 167)	17 385 432	41 124 612	(23 665 032)	17 459 580
IT equipment	14 104 371	(5 168 605)	8 935 766	5 585 265	(3 951 078)	1 634 187
Infrastructure - Electricity	72 693 604	(18 848 443)	53 845 161	67 923 006	(16 727 791)	51 195 215
Infrastructure - Roads and paving	291 833 574	(80 836 309)	210 997 265	234 042 648	(70 713 803)	163 328 845
Game	3 784 004	-	3 784 004	(339 819)	-	(339 819)
Infrastructure - Sewerage	8 994 287	(1 138 088)	7 856 199	8 421 049	(979 572)	7 441 477
Infrastructure - Solid waste disposal	12 497 359	(3 036 311)	9 461 048	31 330 586	(2 418 089)	28 912 497
Infrastructure - Water	929 151 199	(206 886 334)	722 264 865	864 218 865	(174 139 794)	690 079 071
Capital work in progress	475 658 942	-	475 658 942	385 275 900	-	385 275 900
Total	2 162 255 107	(410 530 583)	1 751 724 524	1 944 012 304	(352 623 607)	1 591 388 697

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers - WIP completed	Depreciation	Impairment loss	Total
Land	142 211 238	-	-	-	-	-	142 211 238
Buildings	89 828 766	1 907 350	-	-	(4 561 029)	(3 172 829)	84 002 258
Plant and machinery	12 587 798	3 014 409	(51 598)	-	(2 800 791)	-	12 749 818
Furniture and fixtures	1 773 942	1 328 627	-	-	(530 041)	-	2 572 528
Motor vehicles	17 459 580	2 843 522	(626 991)	-	(2 290 679)	-	17 385 432
IT equipment	1 634 187	8 700 301	-	-	(1 398 722)	-	8 935 766
Infrastructure - Electricity	51 195 215	7 805 758	(16 580 734)	13 545 574	(2 120 652)	-	53 845 161
Infrastructure - Roads and paving	163 328 845	9 416 844	-	48 374 062	(9 900 631)	(221 875)	210 997 265
Game	4 297 366	533 774	(1 047 136)	-	-	-	3 784 004
Infrastructure - Sewerage	7 441 477	573 238	-	-	(157 593)	(923)	7 856 199
Infrastructure - Solid waste disposal	28 912 497	134 980	-	-	(618 222)	(18 968 207)	9 461 048
Infrastructure - Water	690 079 071	30 936 742	-	33 995 592	(31 186 063)	(1 560 477)	722 264 865
Capital work in progress	385 275 899	186 298 291	-	(95 915 248)	-	-	475 658 942
	1 596 025 881	253 493 836	(18 306 459)	-	(55 564 423)	(23 924 311)	1 751 724 524

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	opening balance adjustment	Disposals	Transfers - WIP completed	Depreciation	Impairment loss	Total
Land	142 211 138	-	100	-	-	-	-	142 211 238
Buildings	90 666 983	2 960 369	-	-	5 356 966	(4 509 640)	(4 645 912)	89 828 786
Plant and machinery	12 439 076	2 409 704	47 135	-	-	(2 308 117)	-	12 587 798
Furniture and fixtures	1 519 186	799 832	16	-	-	(545 092)	-	1 773 942
Motor vehicles	13 020 369	6 580 480	-	-	-	(2 141 269)	-	17 459 580
IT equipment	1 832 218	497 120	(3 587)	-	-	(691 564)	-	1 634 187
Infrastructure - Electricity	48 361 414	5 221 900	-	-	-	(1 985 108)	(402 991)	51 195 215
Infrastructure - Roads and paving	170 780 300	7 481 667	-	-	-	(9 457 382)	(5 475 740)	163 328 845
Game	7 308 219	1 626 332	-	(4 637 185)	-	-	-	4 297 366
Infrastructure - Sewerage	7 606 833	-	-	-	-	(149 743)	(15 613)	7 441 477
Infrastructure - Solid waste disposal	30 000 667	26 185	-	-	-	(620 975)	(493 380)	28 912 497
Infrastructure - Water	521 742 218	32 810 248	-	-	165 481 922	(29 781 089)	(174 228)	690 079 071
Capital work in progress	280 794 878	275 319 910	-	-	(170 838 888)	-	-	385 275 900
	1 328 283 499	335 733 747	43 664	(4 637 185)	-	(52 189 979)	(11 207 864)	1 596 025 882

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4. Property, plant and equipment (continued)

Impairment of assets

Buildings	3 172 829	4 645 912
Infrastructure - Roads and paving	221 875	5 475 740
Infrastructure - Water	1 560 477	174 228
Infrastructure_Electricity	-	402 991
Infrastructure_Sewerage	923	15 613
Infrastructure_Waste	18 968 207	493 380

Pledged as security

No assets were pledged as security.

Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Total
Opening balance	352 147 429	33 128 485	385 275 914
Additions/capital expenditure	161 328 336	24 969 939	186 298 275
Transferred to completed items	(95 915 247)	-	(95 915 247)
	417 560 518	58 098 424	475 658 942

Reconciliation of Work-In-Progress 2016

	Included within Infrastructure	Included within Community	Total
Opening balance	274 987 834	5 807 061	280 794 895
Additions/capital expenditure	242 641 517	32 678 390	275 319 907
Transferred to completed items	(165 481 936)	(5 356 966)	(170 838 902)
	352 147 415	33 128 485	385 275 900

5. Inventories

Consumable stores	2 867 056	2 635 755
Water inventory	945 384	354 998
	3 812 440	2 990 753

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6. Receivables from exchange transactions

Interest receivable	647 501	432 123
Sundry debtors	926 579	1 300 429
	1 574 080	1 732 552

7. Receivables from non-exchange transactions

Traffic fines	82 532 383	71 466 043
Provision for impairment - Traffic fines	(74 572 849)	(70 919 644)
Consumer debtors - Rates	68 177 722	109 349 801
	76 137 256	109 896 200

Net rates		
Current (0-30 days)	6 209 225	8 050 909
31-60 days	2 281 923	5 395 605
61-90 days	2 026 043	4 980 471
90+ days	57 660 531	90 912 816
	68 177 722	109 349 801

Net traffic fines		
30+ days	7 959 534	546 399

2017 - Summary of debtors by customer classification (Rates)	Residential	Industrial / commercial	National and provincial government	Schools, churches, Hospitals & Clinics and Handovers	Total
Current	2 069 028	3 171 454	733 143	235 599	6 209 224
31 - 60 days	1 164 227	1 752 623	1 001 535	59 157	3 977 543
61 - 90 days	944 821	1 514 663	1 019 379	52 565	3 531 528
90 + days	11 859 727	69 200 490	18 344 226	1 101 682	100 506 125
Less: Provisions for impairments	(7 068 901)	(29 899 778)	(8 432 196)	(645 822)	(46 046 698)
	8 969 002	45 739 452	12 666 087	803 181	68 177 722

2016 - Summary of debtors by customer classification (Rates)	Residential	Industrial / commercial	National and provincial government	Schools, churches, Hospitals & Clinics and Handovers	Total
Current	2 634 665	3 618 779	1 375 296	422 168	8 050 909
31 - 60 days	1 460 832	2 255 170	1 895 329	372 141	5 983 471
61 - 90 days	1 266 273	1 921 082	2 085 917	260 925	5 534 197
90 + days	10 487 071	62 746 965	24 555 845	3 028 055	100 817 935
Less: Provisions for impairments	(1 567 478)	(6 363 327)	(2 718 558)	(387 349)	(11 036 711)
	14 281 363	64 178 669	27 193 829	3 695 940	109 349 801

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7. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 1 months past due are not considered to be impaired. At 30 June 2017, R 6 209 224 (2016: R 8 050 909) were less than 1 month past due but not impaired.

Receivables from non-exchange transactions impaired

As of 30 June 2017, trade and other receivables from non-exchange transactions were impaired and provided for.

The amount of the provision was R (46 046 698) as of 30 June 2017 (2016: R 11 036 711).

The ageing of these debtors are as follows:

1 month past due	(1 695 620)	(587 866)
2 and more month past due	(44 351 078)	(10 448 845)

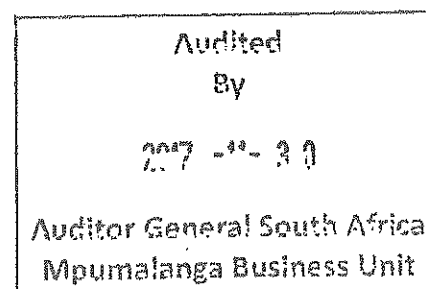
Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(11 036 711)	(7 261 855)
Contributions to allowance	(35 009 987)	(3 774 856)
	<u>(46 046 698)</u>	<u>(11 036 711)</u>

8. VAT receivable

VAT	<u>40 741 435</u>	<u>72 541 053</u>
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VAT is payable on the payment basis. Only once payment is received from debtors, the VAT portion of the receipt is paid over to SARS with input VAT only claimed when payment is made to creditors.



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9. Consumer debtors		
Gross balances		
Electricity	9 725 459	8 923 692
Water	5 693 380	5 136 911
Sewerage	1 278 273	1 169 853
Refuse	1 281 175	1 156 971
Other	21 544 504	16 769 788
	39 522 791	33 157 215
Less: Allowance for impairment		
Electricity	(3 920 574)	(818 106)
Water	(2 295 143)	(470 941)
Sewerage	(515 304)	(107 250)
Refuse	(516 473)	(106 069)
Other	(8 685 124)	(1 537 420)
	(15 932 618)	(3 039 786)
Net balance		
Electricity	5 804 885	8 105 586
Water	3 398 237	4 665 970
Sewerage	762 969	1 062 603
Refuse	764 702	1 050 902
Other	12 859 380	15 232 368
	23 590 173	30 117 429
Net Electricity		
Current (0 - 30 days)	5 602 790	5 296 778
31 - 60 days	64 202	813 396
61 - 90 days	22 894	372 308
91+ days	124 999	1 623 104
	5 804 885	8 105 586
Net Water		
Current (0 - 30 days)	1 606 131	1 264 273
31 - 60 days	258 386	397 863
61 - 90 days	137 517	371 839
91+ days	1 396 203	2 631 995
	3 398 237	4 665 970
Net Sewerage		
Current (0 - 30 days)	345 179	336 451
31 - 60 days	61 519	114 110
61 - 90 days	38 394	69 840
90+ days	317 877	542 202
	762 969	1 062 603
Net Refuse		
Current (0 - 30 days)	380 789	338 540
31 - 60 days	62 637	104 920
61 - 90 days	37 544	59 964
90+ days	283 732	547 478
	764 702	1 050 902

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9. Consumer debtors (continued)

Net Other

Current (0 - 30 days)

31 - 60 days

61 - 90 days

91 - 120 days

1 449 163	1 251 841
724 440	863 975
645 347	747 019
10 040 430	12 369 533
12 859 380	15 232 368

Summary of debtors by customer classification

Residential

Current

31 - 60 days

61 - 90 days

91+ days

3 126 940	2 777 666
952 789	682 546
559 491	430 682
2 925 521	2 087 875

7 564 741	5 958 769
(2 445 910)	(431 723)

Less: Allowance for impairment

5 118 831	5 527 046
------------------	------------------

Industrial/ commercial

Current

31 - 60 days

61 - 90 days

91+ days

4 793 044	3 815 194
1 434 324	1 022 810
896 838	653 395
17 070 162	12 493 306

24 194 368	17 984 705
(10 345 622)	(1 752 619)

Less: Provision for bad debts

13 848 746	16 232 086
-------------------	-------------------

National and provincial government

Current

31 - 60 days

61 - 90 days

91+ days

1 108 005	1 449 943
819 643	859 608
603 578	709 458
4 525 097	4 889 220

7 056 323	7 908 229
(2 917 624)	(748 754)

Less: Provision for bad debts

4 138 699	7 159 475
------------------	------------------

Schools, Churches, Hospitals & Clinics and Handovers

Current

31 - 60 days

61 - 90 days

91+ days

356 063	445 082
48 413	168 781
31 124	88 745
271 759	602 904

(223 461)	(106 685)
-----------	-----------

Less: Provision for bad debts

483 898	1 198 827
----------------	------------------

Total

Current

31 - 60 days

61 - 90 days

91+ days

9 384 051	8 487 884
3 255 170	2 713 745
2 091 031	1 882 281
24 792 539	20 073 304

39 522 791	33 157 214
(15 932 618)	(3 039 785)

Less: Provision for bad debts

23 590 173	30 117 429
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9. Consumer debtors (continued)		
Provision for bad debts		
31 - 60 days	(2 093 985)	(419 481)
61 - 90 days	(1 209 335)	(261 311)
91+ days	(12 629 298)	(2 358 994)
	(15 932 618)	(3 039 786)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(3 039 786)	(1 972 740)
Contributions to allowance	(12 892 832)	(1 067 046)
	(15 932 618)	(3 039 786)

Consumer debtors past due but not impaired

Receivables from exchange transactions which are less than 1 months past due are not considered to be impaired. At 30 June 2017, R 9 384 051 (2016: R 8 487 884) were less than 1 month past due but not impaired.

Consumer debtors impaired

As of 30 June 2017, consumer debtors were impaired and provided for.

The amount of the provision was R (15 932 618) as of 30 June 2017 (2016: R (3 039 785)).

1 month past due	(2 093 985)	(419 481)
2 and more months past due	(13 838 633)	(2 620 304)

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10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 000	2 000
Bank balances	115 666 260	60 077 610
Short-term deposits	5 000 000	5 000 000
	120 668 260	65 079 610

Additional disclosure:

The municipality has ceded an amount of R5,000,000 as security in respect of ABSA investment for the guarantees that have been issued to Eskom by Absa bank.

The remaining cash and cash equivalent balances held by the municipality is available for use by the municipality.

Short term fixed deposits

Short term fixed deposits consists of:

ABSA - Account 20-6871-8251	5 000 000	5 000 000
-----------------------------	-----------	-----------

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA BANK, Primary Account - Account number 1650 000 087	113 557 378	58 191 579	33 285 412	115 648 089	60 060 091	32 979 241
ABSA BANK, MIG Fund - Account number 4077034870	9	-	1 777	1 845	1 845	1 777
ABSA BANK, Malelane branch - MIG Transfers - Account number 4080254392	100	16 550	131 086	6 410	14 675	131 086
ABSA BANK - Bereavement Fund - 4078501159	76	-	207	-	-	234
ABSA BANK - Liquidity plus - 9309577050	1 000	1 000	-	1 000	1 000	-
ABSA BANK - Liquidity plus - 9309545790	-	-	-	1	-	-
Total	113 558 563	58 209 129	33 418 482	115 657 345	60 077 611	33 112 338

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11. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 041 626	(639 255)	1 402 371	821 114	(430 633)	390 481

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	390 481	1 220 512	(208 622)	1 402 371

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	229 604	265 744	(104 867)	390 481

12. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	1 621 944	-	1 621 944	1 621 944	-	1 621 944

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical monuments	1 621 944	1 621 944

Reconciliation of heritage assets 2016

	Opening balance	Total
Historical monuments	1 621 944	1 621 944

Pledged as security

Carrying value of heritage assets pledged as security:

Change in accounting estimate

[Disclose the nature and effect of a change in an accounting estimate in the current period or subsequent periods]

The nature and effect of change(s) in an accounting estimate(s) is as follows:

(Insert text)

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2016

13. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2017

	At amortised cost	Total
Cash and cash equivalents	120 668 260	120 668 260
Deposits made	15 742 607	15 742 607
Trade and other receivables from exchange transactions	25 164 253	25 164 253
Trade and other receivables from non-exchange transactions	76 137 256	76 137 256
	237 712 376	237 712 376

2016

	At amortised cost	Total
Cash and cash equivalents	65 079 844	65 079 844
Deposits Made	13 794 568	13 794 568
Trade and other receivables from exchange transactions	31 849 981	31 849 981
Trade and other receivables from non-exchange transactions	109 896 200	109 896 200
	220 620 593	220 620 593

14. Other financial liabilities

At amortised cost

Annuity loan - DBSA

1 540 955

2 147 017

These loans from DBSA bear interest between 13.4% and 17.5% per annum and are repayable in equal bi-annual repayments. Refer to Appendix A for more details on long-term liabilities.

Long term borrowings have been utilised in accordance with the Municipal Finance Management Act.

Above borrowings from external parties were utilised in order to finance Property, Plant and Equipment.

There were no default on principal and interest repayments. None of the terms were renegotiated.

Non-current liabilities

At amortised cost

836 001

1 592 460

Current liabilities

At amortised cost

704 954

554 557

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15. Finance lease obligation

Minimum lease payments due		
- not later than one year	3 148 865	216 475
- later than one year and not later than five years	4 646 147	-
	7 795 012	216 475
Less: future finance charges	(1 723 143)	(4 917)
Present value of minimum lease payments	6 071 869	211 558
Non-current liabilities	3 942 311	-
Current liabilities	2 129 557	211 558
	6 071 868	211 558

The lease term is 2 & 3 years and the effective borrowing rate is 34.56% & 18.83% . Interest rates are fixed at the contract date. Obligations under finance leases are secured by the lessor's title to the leased asset.

Defaults and breaches

There were no default on principal and interest repayments. None of the terms and conditions were renegotiated.

16. Operating lease asset (accrual)

Non-current assets	57 691	81 902
Current assets	22 542	36 952
Non-current liabilities	(60 997)	(20 023)
Current liabilities	(134 743)	(155 694)
	(115 507)	(56 863)

Refer to note 44 for more details.

17. Deposits made

Eskom - electricity	15 742 607	13 794 568
	15 742 607	13 794 568

18. Trade and other payables from exchange transactions

Trade payables	91 103 380	228 220 776
Staff bonus accrual	7 888 261	7 340 268
Debtors with credit balances	11 156 395	8 255 010
Salary suspense accounts - Third parties	4 932 482	11 183 298
Deposits received	3 930 019	3 556 467
Accrued interest payable on external borrowings	63 390	88 321
Prepayments-prepaid electricity	147 627	164 978
Other creditors	49 573	65 351
Surety	3 101 366	-
Retentions	53 466 609	34 484 409
	175 839 102	293 358 878

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19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Integrated National Electrification Grant	-	2 076 361
Water Service Infrastructure Grant	1 091 840	-
Municipal Water Infrastructure Grant	13 112 348	27 460 970
	14 204 188	29 537 331

Movement during the year

Balance at the beginning of the year	29 537 331	2 542 974
Current-year receipts	363 089 000	341 639 900
Conditions met - transferred to revenue	(378 422 143)	(314 645 543)
	14 204 188	29 537 331

See note 28 for reconciliation of grants from National/Provincial Government.

20. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Increase / (reduction) in provisions	Interest charge	Total
Landfill Site Provision	25 338 046	4 275 832	1 436 979	31 050 857
Performance Bonus Provision	297 500	(66 500)	-	231 000
Accumulated Leave Provision	22 436 852	2 232 943	-	24 669 795
	48 072 398	6 442 275	1 436 979	55 951 652

Reconciliation of provisions - 2016

	Opening Balance	Increase / (reduction) in provisions	Change in discount factor	Total
Landfill Site Provision	20 431 848	4 144 452	761 746	25 338 046
Performance Bonus Provision	297 500	-	-	297 500
Accumulated Leave Provision	19 198 730	3 238 122	-	22 436 852
	39 928 078	7 382 574	761 746	48 072 398

Non-current liabilities	22 906 672	17 492 829
Current liabilities	33 044 980	30 579 569
	55 951 652	48 072 398

Landfill site provision has been provided after a specialist consultancy in environmental accounting, was appointed by the municipality to assist with the valuation of the required provision for the Hectorsspruit, Marloth Park, Komatipoort, Kamaghekeza and Steenbok landfill for the reporting period to reflect best reliable estimate.

Performance bonuses are payable to eligible employees provided that the employee has met the targets as required in their performance contracts.

Employees are entitled to take at least 16 working days of his/her 24 annual leave of which at least 10 working Days shall be taken consecutively in respect of every completed year service and before the next year of service. The eight days may be accumulated to a maximum of 48 days.

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21. Employee benefit obligations

Defined benefit plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme.

In-service members are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	12 723 000	31 790 000
Expected benefits payments	(188 000)	(114 000)
Net expense recognised in the statement of financial performance	(281 000)	(18 953 000)
	12 254 000	12 723 000

Net expense recognised in the statement of financial performance

Current service cost	446 000	2 957 000
Interest cost	1 436 000	3 002 000
Actuarial (gains) losses	(2 163 000)	(24 912 000)
	(281 000)	(18 953 000)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(2 163 000)	(23 185 000)
---------------------------------------	-------------	--------------

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,94 %	11,37 %
Consumer price inflation	6,82 %	8,90 %
Health care cost inflation	8,32 %	10,40 %
Net discount rate	1,50 %	0,88 %

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2016

21. Employee benefit obligations (continued)

Long service awards

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits.

Opening balance	18 107 000	14 653 000
Current service cost	2 107 000	1 785 000
Interest cost	1 561 000	1 191 000
Actuarial (gains) / losses	(1 028 000)	1 727 000
Expected benefits payments	(1 210 000)	(1 249 000)
	19 537 000	18 107 000

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,01 %	8,92 %
Consumer price inflation	5,81 %	6,58 %
Salary increase rate	6,81 %	7,58 %
Net discount rate	2,06 %	1,25 %
Normal retirement age	63	63

22. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2017

	Financial liabilities at amortised cost	Total
Other financial liabilities	1 540 955	1 540 955
Trade and other payables from exchange transactions	175 839 104	175 839 104
Employee benefit obligation	31 791 000	31 791 000
	209 171 059	209 171 059

2016

	Financial liabilities at amortised cost	Total
Other financial liabilities	2 147 017	2 147 017
Trade and other payables from exchange transactions	290 762 046	290 762 046
Employee benefit obligation	30 830 000	30 830 000
	323 739 063	323 739 063

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Figures in Rand	2017	2016
23. Revenue		
Service charges	121 316 173	105 243 043
Rental of facilities and equipment	3 646 374	5 788 012
Interest earned - debtors	11 428 648	7 186 530
Agency services	13 514 315	8 416 286
Recoveries	732 393	434 080
Other income	8 680 562	9 065 486
Interest earned - external	10 855 075	7 002 652
Property rates	105 560 426	107 043 648
Government grants & subsidies	828 018 698	739 562 911
Public contributions and donations	1 555 763	-
Fines	23 328 917	36 555 216
Licences and permits	13 794	5 676
	1 128 651 138	1 026 303 540

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	121 316 173	105 243 043
Rental of facilities and equipment	3 646 374	5 788 012
Interest earned - debtors	11 428 648	7 186 530
Agency services	13 514 315	8 416 286
Recoveries	732 393	434 080
Other income	8 680 562	9 065 486
Interest earned - external	10 855 075	7 002 652
	170 173 540	143 136 089

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	105 560 426	107 043 648
Transfer revenue		
Government grants & subsidies	828 018 698	739 562 911
Public contributions and donations	1 555 763	-
Fines	23 328 917	36 555 216
Licences and permits	13 794	5 676
	958 477 598	883 167 451

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Figures in Rand	2017	2016
24. Property rates		
Rates received		
Residential	31 578 963	24 323 153
Business	20 387 038	16 925 670
Government	30 194 679	51 477 930
Agricultural	5 905 741	463 384
Other	17 484 005	13 852 919
Less: Income forgone		592
	105 560 426	107 043 648

Rates are levied on monthly basis and repayable in twelve equal payments with the final date of payment being the municipality's year end. Interest equal to the prime rate as determined by the South African Reserve bank per annum is levied on outstanding rates.

	In cents	
Assessment rates are levied as follows		
Vacant land	4	4
Residential	1	1
Business	2	2
State Owned	2	2
Industrial	2.5	2.5
Mining and Quarries	3	3
Farms - Commercial	2	2
Farms - Residential	1	1
Municipal properties	2	2
Private towns	1	1
Smallholdings - Commercial	2	2
Smallholdings - Residential	1	1
Informal settlements	1	1
Protected areas	1	1
National monuments	1	1
Multiple purpose	1	1
	27	27

Valuations

Residential	4 644 866 900	3 556 334 281
Business	1 246 310 372	1 162 454 372
Government	1 926 153 800	1 828 120 800
Municipal	240 222 200	241 074 200
Churches	82 624 000	106 024 000
Industrial	6 900 000	6 906 800
Agriculture	2 732 581 600	3 508 655 300
Other - Unimproved and industrial	557 845 800	1 642 014 735
	11 437 504 672	12 051 584 488

25. Service charges

Sale of electricity	89 927 916	76 804 421
Sale of water	20 140 796	18 296 225
Sewerage and sanitation charges	4 551 484	4 264 264
Refuse removal	6 695 977	5 878 133
	121 316 173	105 243 043

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Figures in Rand	2017	2016
26. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	3 646 374	5 788 012
27. Interest earned - external		
Interest earned - external		
Bank	7 094 912	4 842 683
Investment	3 760 163	2 159 969
	10 855 075	7 002 652

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28. Government grants and subsidies

Equitable share	447 689 361	423 037 000
Municipal Infrastructure Grant	257 355 000	219 380 000
Financial Management Grant	1 625 000	1 600 000
Municipal Systems Improvement Grant	-	930 000
LG SETA Grant	3 386 100	1 727 900
Integrated National Electrification Grant	9 000 000	10 229 286
Water service infrastructure grant	68 100 160	-
Expanded Public Works Programme	5 917 000	4 762 000
HIV Grant	597 456	1 880 369
Municipal Water Infrastructure Grant	14 348 621	51 279 030
Rural Household Infrastructure Grant	-	4 737 326
Municipal Disaster Recovery Grant	20 000 000	20 000 000
	828 018 698	739 562 911

Equitable Share

In terms of the Division of Revenue Act, the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to indigent community members in line with national policy.

Municipal Infrastructure Grant

Current-year receipts	257 355 000	219 380 000
Conditions met - transferred to revenue	(257 355 000)	(219 380 000)
	-	-

The grant is intended to provide capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions, to provide for new, rehabilitation and upgrading of municipal infrastructure and to eradicate the bucket sanitation system mainly in urban townships.

Financial Management Grant

Current year - receipts	1 625 000	1 600 000
Conditions met - transferred to revenue	(1 625 000)	(1 600 000)
	-	-

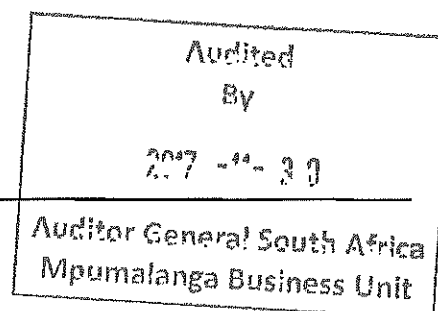
This grant is intended to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Expanded Public Works Programme

Current-year receipts	5 917 000	4 762 000
Conditions met - transferred to revenue	(5 917 000)	(4 762 000)
	-	-

This grant is intended to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in different areas in compliance with the EPWP guidelines.

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28. Government grants and subsidies (continued)

Integrated National Electrification Grant

Balance unspent at beginning of year	2 076 361	2 305 648
Current-year receipts	9 000 000	10 000 000
Conditions met - transferred to revenue	(9 000 000)	(10 229 287)
Transfer out - Roll over not approved	(2 076 361)	-
	-	2 076 361

This grant is intended to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Water Service Infrastructure Grant

Current-year receipts	69 192 000	-
Conditions met - transferred to revenue	(68 100 160)	-
	1 091 840	-

To facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities.

Municipal System Improvement Grant

Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	-

This grant is intended to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Systems Act and related legislation and policies.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

LG SETA Grant

Current-year receipts	3 386 100	1 727 900
Conditions met - transferred to revenue	(3 386 100)	(1 727 900)
	-	-

This grant is intended provide support training for employees and the unemployed.

Municipal Water Infrastructure Grant

Balance unspent at beginning of year	27 460 970	-
Current-year receipts	-	78 740 000
Conditions met - transferred to revenue	(14 348 622)	(51 279 030)
	13 112 348	27 460 970

This grant is intended to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

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28. Government grants and subsidies (continued)

Rural Household Infrastructure Grant

Balance unspent at beginning of year	-	237 326
Current-year receipts	-	4 500 000
Conditions met - transferred to revenue	-	(4 737 326)

This grant is intended to eradicate rural water and sanitation backlogs.

Municipal Disaster Recovery Grant

Current-year receipts	20 000 000	20 000 000
Conditions met - transferred to revenue	(20 000 000)	(20 000 000)

This grant is intended to rehabilitate and reconstruct municipal infrastructure damaged by disaster.

29. Public contributions and donations

Public contributions and donations	1 555 763
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The municipality has received donation of assets to the value of R1,555,763 from Department of culture, sport and recreation for the current year.

30. Recoveries

Legal fees recovered	732 393	434 080
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31. Other income

Building Plan Fees	496 911	631 146
Entrance Fees	1 195 483	1 181 187
Fire Fighting Services	9 211	10 110
Library membership fees	15 325	15 841
Sale of Game	7 523	44 387
Search Fees	1 533 724	1 377 744
Seta Training Refund	515 713	1 817 494
Sundry	4 650 097	3 624 210
Tender documents	256 575	363 367
	8 680 562	9 065 486

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32. Employee related costs		
Salaries and wages	180 047 111	164 949 882
Medical aid and UIF contributions	15 028 471	15 012 182
Bonus	13 880 322	13 696 563
Overtime payments	28 779 377	28 778 858
Allowances	12 426 624	11 909 981
Housing benefits and other allowances	4 397 025	4 391 509
Pension fund contributions	35 294 536	32 673 877
Other employee related costs	2 593 940	2 482 604
Standby	6 227 258	6 493 712
Temporary employees	6 341 210	7 420 860
Subsistence and transport	16 852 658	17 576 681
	321 868 532	305 386 709
Remuneration of Municipal Manager - MD Ngwenya		
Remuneration	980 000	1 078 000
Travel and other allowances	200 679	204 090
Contributions to UIF, Medical and Pension Funds	228 149	228 165
	1 408 828	1 510 255
Remuneration of Acting Chief Financial Officer - SZ Mathaba		
Acting allowance	202 432	284 177
Remuneration of Acting Director Technical Services - EA Zitha		
Acting allowance	76 066	126 990
Remuneration of Director Community Services - ES Mahlalela		
Remuneration	665 000	724 850
Travel and other allowances	51 281	54 672
Contributions to UIF, Medical and Pension Funds	212 376	207 287
	928 637	986 809
Remuneration of Director Planning and Development - DS Nkosi		
Remuneration	110 833	737 213
Travel and other allowances	8 605	55 039
Contributions to UIF, Medical and Pension Funds	40 100	206 843
Leave pay	127 680	-
	287 218	999 095
Remuneration of Acting Director Planning and development - DM Mashele		
Acting allowance	20 950	-

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32. Employee related costs (continued)

Remuneration of Director Corporate Services - SM Manzini

Remuneration	665 000	724 850
Travel and other allowances	134 979	138 390
Contributions to UIF, Medical and Pension Funds	180 215	155 426
	980 194	1 018 666

33. Remuneration of Councillors

Executive Mayor	817 147	824 143
Speaker	753 079	663 151
Chief Whip	620 117	633 332
Mayoral Committee Members	3 201 886	3 147 658
Councillors basic remuneration	8 813 453	8 628 585
Councillors' pension and other contributions	2 215 335	2 400 598
Councillors' Allowances	6 543 842	5 032 015
	22 964 859	21 329 482

Executive Mayor - TS Khoza

Remuneration	487 140	504 854
Travel and other allowances	221 684	211 896
Contributions to pension fund and medical aid	108 323	107 393
	817 147	824 143

Speaker - KJ Macle

Remuneration	55 424	443 030
Travel and other allowances	25 788	153 666
Contributions to pension fund and medical aid	8 314	66 455
	89 526	663 151

Speaker - MR Shongwe

Remuneration	460 435	-
Travel and other allowances	210 680	-
Contributions to pension fund and medical aid	81 964	-
	753 079	-

Chief - S Mabuza

Remuneration	361 054	368 143
Travel and other allowances	164 270	172 893
Contributions to pension fund and medical aid	94 793	92 396
	620 117	633 432

Mayoral committee members

Remuneration	1 925 845	1 905 270
Travel and other allowances	867 636	828 421
Contributions to pension fund and medical aid	408 404	413 967
	3 201 885	3 147 658

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time.
Each is provided with an office and secretarial support at the cost of the Council.

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33. Remuneration of Councillors (continued)		
The Executive Mayor has use of a Council owned vehicle for official duties and has a full time bodyguard.		
34. Depreciation and amortisation		
Property, plant and equipment	55 564 425	52 189 981
Investment property	133 296	217 261
Intangible assets	208 622	104 867
	55 906 343	52 512 109
35. Impairment of assets		
Impairments		
Property, plant and equipment	23 924 311	11 293 291
The events and circumstances that led to the recognition of the impairment of assets was evidence of damage and cost that is significantly higher than fair value due to value determined in 2008 where historical cost information was not available. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell.		
The main classes of assets affected by impairment losses are:		
Buildings		
Infrastructure - Roads & paving		
Infrastructure - Sewerage		
Infrastructure - Electricity		
Infrastructure - Water		
Infrastructure - Solid Waste		
Investment property - Buildings		
Fair value less cost to sell		
Fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. In determining this amount, an entity could consider the outcome of recent transactions for similar assets within the same industry. Fair value less costs to sell does not reflect a forced sale, unless management is compelled to sell immediately.		
36. Finance costs		
Interest paid	6 229 095	7 880 493
Finance leases	470 880	38 446
Non-current borrowings	305 402	468 975
	7 005 377	8 387 914
37. Debt impairment		
Debt impairment provision	51 556 025	41 687 153
Bad debts written off	22 272 966	-
	73 828 991	41 687 153

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Figures in Rand	2017	2016
38. Contracted services		
FMS Support Services	3 089 363	2 393 409
Security	26 128 820	24 454 608
Landfill site	2 580 118	2 407 813
Other contractors	2 795 994	3 129 336
Fleet Management	1 006 870	810 662
	35 601 165	33 195 828
39. Bulk purchases		
Electricity	78 480 227	83 450 977
Water	814 526	1 201 050
	79 294 753	84 652 027

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Figures in Rand	2017	2016
40. General expenses		
Advertising	617 146	480 575
Auditors remuneration	2 644 522	3 923 504
Bank charges	1 034 242	885 398
Change in landfill closure provision	10 114 377	4 144 552
Chemicals	12 228 239	11 657 472
Cleaning Material	200 017	291 557
Conferences	434 763	197 507
Consulting and professional fees	30 775 813	7 469 211
Data cleansing	1 850 002	4 558 084
Debt collection commission	11 321 124	12 158 096
Disaster Management	14 016 065	17 635 939
Electricity consumption	31 427 588	17 689 180
Entertainment	456 545	556 699
Fuel and Oil	10 365 427	11 074 384
IT systems	280 443	715 265
Insurance	1 327 114	1 531 703
License fees	49 738	-
Mayoral outreach	524 620	174 828
Municipal services	4 541 827	5 019 015
Networks and substations	2 187 848	1 874 423
New Connections	1 631 744	1 428 211
Occupational Health and Safety	108 092	95 785
Other expenses	520 699	796 352
Postage and courier	475 847	168 715
Printing and stationery	2 302 139	1 587 298
Projects	24 060 391	27 932 031
Refuse bags and holders	309 246	733 122
Rental of property and equipment	7 126 789	8 344 812
Repairs and maintenance	27 565 134	25 349 224
Sport Events	740 822	725 067
Stock and Material	1 345 497	1 205 594
Student financial aid support	328 744	310 950
Subscriptions and membership Fees	8 528	2 683 555
System development and support	89 767	84 686
Telephone and fax	4 043 041	4 049 166
Tollgate Fees	212 545	290 244
Town planning and township establishment fees	1 041 114	2 992 833
Traditional council	-	102 833
Training	7 101 143	4 249 163
Transversal unit	316 854	289 910
Travel and accommodation - Local	3 714 674	3 089 878
Uniforms	2 477 371	2 076 061
Valuation roll	2 732 155	837 015
Ward Committees	-	180 930
Water Quality Monitoring	3 670 154	2 960 054
	228 319 950	194 600 881

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41. Prior period errors

Property, plant and equipment were reclassified to the correct classes. Property, plant and equipment that were discovered during the physical asset count not on the asset register were fair valued and recognised.

Correction of prior period expenses transaction incorrectly posted to bank error account.

Statement of financial position

Accumulated surplus	-	2 553 168
Trade and other payables - Bank error	-	(2 596 833)
IT equipment - cost	-	(17 082)
IT equipment - accumulated depreciation	-	13 495
Plant and machinery - cost	-	98 766
Plant and machinery - accumulated depreciation	-	(51 631)
Furniture and fixtures - cost	-	1 150
Furniture and fixtures - accumulated depreciation	-	(1 134)
Land - cost	-	100

42. Cash generated from operations

Surplus	261 391 095	288 856 174
Adjustments for:		
Depreciation and amortisation	55 906 343	52 512 109
Gain on sale of assets and liabilities	1 251 703	2 660 980
Impairment deficit	23 924 311	11 293 291
Debt impairment	73 828 991	41 687 153
Movements in operating lease assets and accruals	58 644	109 060
Movements in retirement benefit assets and liabilities	961 000	(15 613 000)
Movements in provisions	7 879 254	8 144 320
Changes in working capital:		
Inventories	(821 687)	(2 185 958)
Receivables from exchange transactions	158 472	(232 194)
Consumer debtors - exchange transactions	(67 301 735)	(45 450 909)
Other receivables from non-exchange transactions	33 758 944	(8 944 174)
Trade and other payables from exchange transactions	(117 519 777)	51 763 968
VAT	31 799 618	(44 873 827)
Unspent conditional grants and receipts	(15 333 143)	26 994 357
	289 942 033	366 721 350

43. Auditors' remuneration

Fees	2 644 522	3 923 504
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44. Commitments

Authorised expenditure

Approved and already contracted for but not provided for

• Property, plant and equipment	11 256 791	36 879 375
• Infrastructure	184 225 142	251 070 586
• Other services	46 024 132	18 246 995
	241 506 065	306 196 956

Total capital commitments

Already contracted for but not provided for

241 506 065	306 196 956
-------------	-------------

This committed expenditure relates to property, plant and equipment, infrastructure and other services and will be financed by available bank facilities, retained surpluses, mortgage facilities, existing cash resources, funds internally generated, etc.

Funding sources

This expenditure will be financed from:

- Government and Other Grants	197 394 551	286 745 095
- Revenue	44 111 514	19 451 861
	241 506 065	306 196 956

Operating leases - as lessee (expense)

Minimum lease payments due

- not later than one year	2 533 478	3 852 493
- later than one year and not later than five years	783 309	3 316 786
	3 316 787	7 169 279

Operating lease payments represent rentals payable by the municipality for certain of its properties. Leases are negotiated for an average term of three years to five years and rentals escalated by 10% per annum. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	154 820	386 942
- in second to fifth year inclusive	283 044	503 320
	437 864	890 262

Operating lease payments represent rentals receivable by the municipality for certain of its properties. Leases are negotiated for up to maximum term of 9 years 11 months and rental escalates between 0% to 10% per annum. No contingent rent is receivable.

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45. Contingencies

Contingent liabilities

A Lubbe - Claim of R109,626.64 against unfair dismissal.

IMATU O.B.O L Lubisi - Claim of R120,270 for travel allowance.

SM Shabangu - claim for leave pay of R184,244.30

Tarfix - Claim for retention money amounting to R2,679,068.48.

SM Shabangu - challenge against alleged unfair dismissal and anticipated costs claim of R1,020,000

Claim from Silinda Mokoena & Associates (Valuer) case no 64255/09 claims R1,264,063 for work done on the valuation roll for the municipality.

Valor IT - Claim for breach of contract amounting to R5,034,960

Matsamo cultural park - Claim for suffered damages caused by fire amounting to R5,418,000

Maximum profit recovery - Claim for a breach of contract on VAT for an amount of R6,000,000

Telkom SA Limited - Claim for damages for an amount of R59,346.17

Contingent assets

The municipality lodged a counter claim of R10,855,225.17 against Silinda Mokoena & Associates (Valuer) case no 64255/09, because the valuation roll was incorrect and the Valuer failed to make corrections as requested by the municipality. The municipality lodged its claim because it is losing possible revenue due to the incorrectness of the valuation roll.

Valor IT - Claim for recovery of amount paid to Valor IT to the value of R6,300,000 for breach of contract.

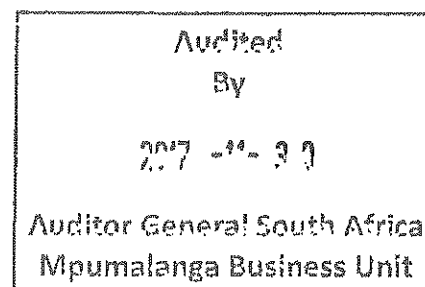
SM Shabangu - Claim for recovery of unauthorised expenditure amounting to R3,248,996.40

46. Related parties

Relationships

Post employment benefit plan for employees of municipality
Remuneration of key management personnel

Refer to Note on Employee Retirement Benefit Plans
Refer to note on compensation to Municipal Manager,
Chief Financial Officer, Executive Directors, Mayoral
Committee and Other Councillors



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Notes to the Annual Financial Statements

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47. Comparative figures

Certain comparative figures have been reclassified.

The comparative figures have been reclassified to conform to changes in presentation in the current year

The effects of the reclassification are as follows:

Statement of financial position - extract

	Comparative figures previously reported	Reclassification	After reclassification
Provisions	78 902 398	(30 830 000)	48 072 398
Employee benefit obligation	-	30 830 000	30 830 000
Total	78 902 398	-	78 902 398

48. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	704 954	836 001	-	-
Trade and other payables	175 839 104	-	-	-
At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	554 557	1 592 460	-	-
Trade and other payables	290 762 046	-	-	-

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit Risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks. Credit Risk related to consumer debtors is managed in accordance with the Council's credit control and debt collection policy. The Council's credit exposure is spread over a large number and wide variety of consumers, and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts.

Financial instrument	2017	2016
Cash and cash equivalents	120 668 260	65 079 844
Receivable from non-exchange transactions	76 137 256	109 896 200
Receivable from exchange transactions	25 164 253	31 849 981
Deposits made	15 742 607	13 794 568

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49. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

50. Unauthorised expenditure

Unauthorised expenditure - Opening balance	89 920 902	190 810 857
Unauthorised expenditure - Current year	62 867 924	96 110 857
Unauthorised expenditure - Written off by Council	-	(197 000 812)
	152 788 826	89 920 902

Unauthorised expenditure is as a result of overspending of the budget of the municipality which caused the operational expenditure or capital expenditure incurred during the financial year to exceed the amount appropriated in the budget. The unauthorised expenditure of R152,788,826 is awaiting for authorisation. The unauthorised expenditure is irrecoverable.

51. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - Opening balance	1 582 092	4 235 444
Fruitless and wasteful expenditure - Current year	1 795 084	3 254 105
Fruitless and wasteful expenditure - Written off by Council	-	(5 907 457)
	3 377 176	1 582 092

Fruitless and wasteful expenditure is as a result of interest charged by suppliers due to late payments and late submission of SARS returns. Fruitless and wasteful expenditure of R3,377,176 is awaiting for authorisation. The fruitless and wasteful expenditure is irrecoverable.

52. Irregular expenditure

Irregular expenditure - Opening balance	346 004 166	185 909 672
Irregular expenditure - Current year	7 201 887	177 670 535
Irregular expenditure - Incurred in current year relating to prior year	85 917 684	2 423 959
	439 123 737	346 004 166

Irregular expenditure is as a result of expenditure incurred by the municipality that is not in accordance with, a requirement of the supply chain management policy. Irregular expenditure of R439,123,737 is awaiting to be submitted for authorisation. The municipality is investigating possible instances of irregular expenditure which has not been included in the amount disclosed above. The full extent of irregularity would only be known at the conclusion of these investigations. The amount disclosed above may change based on the outcome of these investigations.

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	14 341	13 045
Current year membership fee	184 735	166 905
Amount paid - current year	(199 076)	(165 609)
Due and payable	-	14 341

Non-compliance with applicable legislation

MFMA: Section 65(e) and Section 99(2)(b)

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Figures in Rand	2017	2016
53. Additional disclosure in terms of Municipal Finance Management Act (continued)		
All invoices are not paid within 30 days as required by section 65(e).		
Audit fees		
Opening balance		450 275
Current year	2 644 522	3 086 682
Amount paid - current year	(2 644 522)	(3 516 957)
Due and payable	-	-
PAYE and UIF		
Opening balance	3 081 259	2 560 680
Current year deductions and contributions	41 425 443	37 766 831
Amount paid - current year	(40 976 277)	(37 246 252)
	3 530 425	3 081 259
Pension and Medical Aid Deductions		
Opening balance	5 911 954	5 018 596
Current year deductions and contributions	73 326 026	66 151 993
Amount paid - current year	(79 237 980)	(65 258 635)
	-	5 911 954
VAT		
VAT receivable	40 741 435	72 541 053

VAT output payables and VAT input receivables are shown in note 8.

Councillors' arrear consumer accounts

There are no councillors that had arrear accounts outstanding for more than 30 days at 30 June 2017:

Deviations

Incident	Audited	
Deviations - Opening balance	By	3 472 158
Deviations - current year	2 625 586	2 487 182
Deviations noted by council	(2 058 377)	(5 959 340)
	567 209	-

54. Budget differences explanation

Material differences between budget and actual amounts

- 54.1 Rental of facilities and equipment - less receipts from rental of JU farm than it was anticipated
- 54.2 Interest earned_debtors - Non-payment of debtors account from Leopard Creek Properties
- 54.3 Agency services - Over budgeted for agency services due to previous trends
- 54.4 Recoveries - Contingent in nature therefore budgeted the actual amount received by midyear
- 54.5 Other income - Over budgeted due to previous trends

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54. Budget differences explanation (continued)

54.6 Interest earned_external - More investments made during the year than anticipated (use of previous trends)

54.7 Government grants & subsidies - Conditional grants expenditure not 100% spent by year end

54.8 Fines - Less budget due to previous years trend

54.9 Licences and permits - Under budgeted due to previous years trends

54.10 Transfers and grants - donation of assets not budgeted.

54.11 Finance cost - Only interest on external loans was budgeted

54.12 Debt impairment - Additional provision on property rates debtors

54.13 Bulk purchases - Under budgeted for electricity bulk purchase

54.14 Contracted services - Under budgeting on sanitation projects and current year change in provision.

54.15 General Expenditure - Under budgeting on various expenditure line items

54.16 Loss on sale of assets - Did not budget

54.17 Actuarial gains/(losses) - Did not budget

54.18 Inventories - Budget amount was based on previous trends and more actual inventory was held at year end

54.19 Operating lease asset - Over budgeting due to previous years trends

54.20 VAT receivable - More budget on VAT due to previous years trend and refunds not paid at year end than anticipated

54.21 Consumer debtors - Over budgeting due to previous years trends, bad debts written off during the year

54.22 Deposits made - Less budget due to previous trends

54.23 Cash and cash equivalents - Under budgeting due to previous years trends

54.24 Intangible assets - Under budgeted for computer software due to previous trends

54.25 Other financial liabilities - Over budgeting on short term portion of financial liabilities

54.26 Finance lease liability - Did not budget

54.27 Operating lease liability - Did not budget

54.28 Trade and other payable from exchange transactions - Under budgeted due to previous years trends

54.29 Unspent conditional grants and receipts - Did not budget

54.30 Provisions - over budgeted due to previous years trends

Changes from the approved budget to the final budget

54.31 The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes a separate report is available.

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55. Distribution losses

Water	Year	Kilo litres pumped	Kilo litres sold	Loss in kilo litres	Loss in percentage
	30 June 2017	2 679 890	2 072 739	604 045	2%
	30 June 2016	3 207 722	2 072 930	1 121 968	4%

Water distribution loss calculated value amounts to R4,747,795 (2016: R8,246,466).

Electricity	Year	Units purchased	Units sold	Loss in units	Loss in percentage
	30 June 2017	79 181 156	60 672 871	18 508 285	23%
	30 June 2016	77 530 243	65 882 247	11 647 996	15%

Electricity distribution loss calculated value amounts to R10,815,696 (2016: R8,619,517).

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Appendix A - Unaudited
June 2017

Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at Thursday, 30 June 2016	Received during the period	Redeemed written off during the period	Balance at Friday, 30 June 2017	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
61003108	2019	2 235 323	-	630 978	1 604 345	-	-
61002393	2012	15	-	15	-	-	-
		2 235 338	-	630 993	1 604 345	-	-
INCA loan							
Lease liability							
Total external loans							
		2 235 338	-	630 993	1 604 345	-	-
		2 235 338	-	630 993	1 604 345	-	-
Development Bank of South Africa							

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Appendix B - Unaudited

June 2017

Analysis of property, plant and equipment as at 30 June 2017 Cost Accumulated depreciation

	Opening Balance	Additions	opening balance adjustment	Transfers - WIP completed	Disposals	Closing Balance	Opening Balance	Disposals	Impairment loss	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings												
Land	142 211 138	-	-	-	-	142 211 238	-	-	-	-	-	142 211 238
Buildings	128 650 797	1 907 350	-	-	-	130 558 147	(98 822 031)	-	(3 172 829)	(4 561 029)	(46 555 839)	84 002 258
Work in progress_buildings	33 128 485	24 989 839	-	-	-	58 098 424	-	-	-	-	-	58 098 424
	303 990 420	26 877 289	100	-	-	330 867 809	(56 355 591)	-	(3 172 829)	(7 807 890)	(57 338 110)	283 531 699
Infrastructure												
Main: Roads and stormwater	234 042 647	9 418 843	-	48 374 081	-	291 833 571	(70 713 802)	-	(221 875)	(9 900 831)	(80 338 308)	210 997 263
Sewerage mains & purification	8 421 048	573 238	-	-	-	8 994 286	(979 571)	-	(823)	(157 594)	(1 138 088)	7 856 198
Main: Electricity	87 923 004	7 803 758	-	13 545 573	(18 580 733)	72 693 602	(18 727 791)	-	-	(2 120 651)	(18 848 442)	53 845 160
Main: Water and purification	864 218 866	30 936 742	-	33 956 591	-	929 151 199	(174 130 798)	-	(1 560 476)	(31 186 052)	(206 886 336)	722 264 853
Solid waste	31 330 595	134 980	-	-	-	31 465 565	(2 418 088)	-	(18 958 207)	(518 222)	(22 804 517)	8 461 048
Work in progress_Infrastructure	352 147 430	161 328 350	-	(95 915 247)	-	417 560 533	-	-	-	-	-	417 560 533
	1 568 083 580	210 158 511	-	(2)	(18 580 733)	1 751 698 756	(264 978 050)	-	(20 781 481)	(43 983 160)	(329 713 691)	1 421 985 065
Other Assets												
Furniture and office equipment	8 195 684	1 328 625	1 150	-	(91 868)	9 433 591	(6 422 893)	91 868	-	(530 041)	(6 861 066)	2 572 525
Machinery and equipment	27 272 557	3 014 407	98 766	-	(253 541)	30 132 189	(14 783 525)	201 943	-	(2 800 791)	(17 382 373)	12 749 816
Computer equipment	5 602 345	8 700 301	(17 081)	-	(181 194)	14 104 371	(3 851 077)	181 184	-	(1 398 721)	(5 168 804)	8 936 767
Transport assets	41 124 612	2 843 522	-	-	(2 765 594)	41 202 600	(23 695 032)	2 138 544	-	(2 200 578)	(23 817 156)	17 385 434
Game	4 297 357	533 773	-	-	(1 047 136)	3 784 004	-	-	-	-	-	3 784 004
	86 492 565	16 420 628	92 835	-	(4 339 273)	98 656 755	(48 822 527)	2 613 549	-	(7 020 231)	(53 229 209)	45 427 546

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Nkomazi Local Municipality

Appendix B - Unaudited

June 2017

Analysis of property, plant and equipment as at 30 June 2017 Cost Accumulated depreciation

	Opening Balance	Additions	opening balance adjustment	Transfers - WIP completed	Disposals	Closing Balance	Opening Balance	Disposals	Impairment loss	Depreciation	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Heritage assets												
Historical Assets	1 621 944	-	-	-	-	1 621 944	-	-	-	-	-	1 621 944
	1 621 944	-	-	-	-	1 621 944	-	-	-	-	-	1 621 944
Investment Property												
Investment property	46 445 555	-	-	-	-	46 445 555	(1 950 112)	-	-	(133 295)	(2 083 408)	44 362 147
	46 445 555	-	-	-	-	46 445 555	(1 950 112)	-	-	(133 295)	(2 083 408)	44 362 147
Intangible Assets												
Computer software	821 113	1 220 512	-	-	-	2 041 625	(430 633)	-	-	(208 622)	(639 255)	1 402 370
	821 113	1 220 512	-	-	-	2 041 625	(430 633)	-	-	(208 622)	(639 255)	1 402 370
Total property plant and equipment	1 987 455 177	254 714 340	82 935	(2)	(20 920 005)	2 231 332 444	(372 537 913)	2 613 549	(23 924 310)	(59 152 999)	(453 001 573)	1 778 330 771
Intangible assets												
Investment properties												
Total												
Land and buildings	309 950 420	26 877 289	100	-	-	336 827 809	(56 555 591)	-	(3 172 829)	(7 807 800)	(67 335 110)	283 531 899
Infrastructure	1 558 063 560	210 195 911	-	(2)	(16 560 733)	1 751 698 766	(264 979 050)	-	(20 751 481)	(43 983 160)	(329 713 591)	1 421 985 065
Other Assets	85 492 585	19 420 528	82 935	-	(4 399 273)	98 685 765	(48 922 527)	2 613 549	-	(7 020 231)	(53 229 208)	45 427 545
Heritage assets	1 621 944	-	-	-	-	1 621 944	-	-	-	-	-	1 621 944
Investment Property	46 445 555	-	-	-	-	46 445 555	(1 950 112)	-	-	(133 295)	(2 083 408)	44 362 147
Intangible Assets	821 113	1 220 512	-	-	-	2 041 625	(430 633)	-	-	(208 622)	(639 255)	1 402 370
	1 987 455 177	254 714 340	82 935	(2)	(20 920 005)	2 231 332 444	(372 537 913)	2 613 549	(23 924 310)	(59 152 999)	(453 001 573)	1 778 330 771

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Nkomazi Local Municipality
Appendix C - Unaudited
June 2017

**Segmental analysis of property, plant and equipment
as at 30 June 2017**

Cost Accumulated Depreciation

	Opening Balance		Additions		Disposals		WIP Completed		WIP		Closing Balance		Opening Balance		Disposals		Depreciation		Impairment		Closing Balance		Carrying value	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Municipality																								
Executive & Council/Mayor and Council	1 382 086		229 300		(23 942)		-		-		1 587 444		(900 911)		23 942		(173 203)		(321 420)		(1 060 172)		537 272	
Budget and treasury	61 753 545		7 146 954		(257 181)		-		-		68 643 316		(3 084 587)		285 481		(273 765)		(1 827 255)		(3 889 803)		64 953 515	
Corporate Services	140 292 214		7 816 073		(1 954 145)		13 545 573		475 658 956		635 360 571		(34 414 086)		119 117		(4 815 616)		(1 366 207)		(40 771 679)		594 588 952	
Community and social services	111 094 416		5 946 725		(2 243 351)		-		-		114 797 810		(5 771 559)		23 942		(1 044 918)		(19 968 207)		(25 065 677)		89 732 233	
Planning and development	102 772 153		376 950		(109 550)		-		-		163 044 563		(672 800)		23 942		(168 851)		-		(1 815 519)		102 026 044	
Civil Administration and PMU	1 759 596		1 234 557		(2 312)		-		-		2 991 841		(2 834 376)		289 493		(273 039)		-		(3 107 435)		6 013 199	
Waste Water Management/Sewerage	11 250 404		31 882 373		-		33 995 591		-		43 142 777		(32 772 284)		21 042		(4 816 787)		(2)		(6 612 707)		902 695 967	
Water/Water Distribution	875 312 483		-		(16 608 823)		-		-		908 308 074		(5 545 312)		-		(1 088 435)		-		(5 934 768)		53 551 305	
Electricity (Electricity Distribution	71 953 824		9 895 914		(9 215)		48 374 081		-		293 072 288		(6 087 537)		578 587		(360 785)		-		(5 769 795)		287 302 463	
Roads transport/Roads	234 711 478		-		-		-		-		-		-		-		-		-		-		-	
	1 612 262 199		68 704 545		(21 208 499)		95 916 245		475 658 956		2 231 332 446		(97 112 934)		1 411 604		(13 228 836)		(21 116 894)		(130 047 050)		2 101 285 396	
Total																								
	1 612 262 199		68 704 545		(21 208 499)		95 916 245		475 658 956		2 231 332 446		(97 112 934)		1 411 604		(13 228 836)		(21 116 894)		(130 047 050)		2 101 285 396	
Municipality																								
	1 612 262 199		68 704 545		(21 208 499)		95 916 245		475 658 956		2 231 332 446		(97 112 934)		1 411 604		(13 228 836)		(21 116 894)		(130 047 050)		2 101 285 396	

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Appendix D - Unaudited
June 2017

Segmental Statement of Financial Performance for the year ended 30 June 2017

Prior Year			Current Year		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality					
4 762 000	48 863 396	(44 101 396)	Executive & Council/Mayor and Council		
289 152 633	109 253 990	179 898 643	Finance & Admin/Finance		
962 205	18 782 311	(17 820 106)	Planning and Development/Economic		
			Development/Plan		
37 272 447	53 162 461	(15 890 014)	Corporate services		
106 398 539	139 870 137	(33 471 598)	Comm. & Social/Libraries and archives		
5 045 740	13 033 300	(7 987 560)	Civil administration & pmu		
9 001 590	26 079 850	(17 078 260)	Waste Water Management/Sewerage		
17 223	51 641 096	(51 623 873)	Road Transport/Roads		
454 511 550	178 436 674	276 074 876	Water/Water Distribution		
142 364 613	121 509 151	20 855 462	Electricity /Electricity Distribution		
049 488 540	760 632 366	288 856 174			
Other charges					
049 488 540	760 632 366	288 856 174	Municipality		
049 488 540	760 632 366	288 856 174	Total		

000228

Appendix E(1) - Unaudited
June 2017

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2017

	Current year 2016		Current year 2016		Explanation of Significant Variances greater than 10% versus Budget
	Act. Bal.	Adjusted budget	Variance		
	Rand	Rand	Rand	Var	
Revenue					
Property rates	105 560 426	117 928 959	(12 368 533)	(10,5)	
Service charges	121 316 173	124 584 143	(3 267 970)	(2,6)	
Rental of facilities and equipment	3 646 374	6 452 499	(2 806 125)	(43,5)	
Interest received (trading)	11 428 648	9 437 372	1 991 276	21,1	
Agency services	13 514 315	6 427 328	7 086 987	110,3	
Public contributions and donations	1 555 763	-	1 555 763	-	
Fines	23 328 917	6 243 285	17 085 632	273,7	
Licences and permits	13 794	2 965	10 829	365,2	
Government grants & subsidies	828 018 698	810 563 185	17 455 513	2,2	
Recoveries	732 393	338 092	394 301	116,6	
Other income - (rollup)	8 680 562	10 870 274	(2 189 712)	(20,1)	
Interest received - investment	10 855 075	5 558 388	5 296 687	95,3	
	128 651 138	098 406 490	30 244 648	2,8	
Expenses					
Personnel	(325 772 856)	(310 146 135)	(15 626 721)	5,0	
Remuneration of councillors	(22 964 859)	(24 304 095)	1 339 236	(5,5)	
Depreciation	(55 697 720)	(64 967 925)	9 270 205	(14,3)	
Amortisation	(208 622)	-	(208 622)	-	
Impairments	(23 924 311)	(4 099 884)	(19 824 427)	483,5	
Finance costs	(7 005 377)	(698 282)	(6 307 095)	903,2	
Debt Impairment	(73 828 991)	(18 935 753)	(54 893 238)	289,9	
Bulk purchases	(79 294 753)	(66 522 793)	(12 771 960)	19,2	
Contracted Services	(35 601 165)	(32 021 188)	(3 579 977)	11,2	

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Appendix E(1) - Unaudited
June 2017

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2017

	Current year 2016	Current year 2016 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Transfers and Subsidies	(16 580 734)	-	(16 580 734)	-
General Expenses	(228 319 951)	(191 301 025)	(37 018 926)	19,4
	(869 199 339)	(712 997 080)	(156 202 259)	21,9
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	(1 251 703)	-	(1 251 703)	-
Actuarial gains/(losses)	3 191 000	-	3 191 000	-
	1 939 297	-	1 939 297	-
Net surplus/ (deficit) for the year	261 391 096	385 409 410	(124 018 314)	(32,2)
Profit/(Loss) for the year				
	261 391 096	385 409 410	(124 018 314)	(32,2)

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Nkomazi Local Municipality
Appendix E(2) - Unaudited
June 2017

**Actual versus Budget (Acquisition of property, Plant
and Equipment) as at 30 June 2017**

	Additions Rand	Original Budget Rand	Revised Budget Rand	Variance		Explanation of significant variances from budget
				Rand	%	
Municipality						
Executive & Council/Mayor and Council	1 760 483	1 000 000	1 000 000	70 462	7	
Budget & Treasury	7 332 911	210 000	210 000	58 372	28	
Planning and Development	963 532	4 665 000	4 665 000	4 075 941	87	
Corporate Services	2 018 735	3 406 000	3 406 000	1 823 722	54	
Community & Social Services	30 159 211	30 795 241	34 749 210	14 493 106	47	
Infrastructure Development	211 945 701	314 328 595	332 027 816	203 636 903	65	
	254 180 573	354 404 836	376 058 026	224 158 506	60	

000231

Appendix F - Unaudited
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2017

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld			
	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
EQS	186 537 000	-	147 154 000	111 922 000	-	-	-	-	-	-	-	-
MIG	84 615 000	45 410 000	77 138 000	50 192 000	-	-	-	-	-	-	-	-
RHIG	-	-	-	-	-	-	-	-	-	-	-	-
FMG	-	1 625 000	-	-	-	-	-	-	-	-	-	-
MSIG	-	-	-	-	-	-	-	-	-	-	-	-
HIV	-	-	-	-	-	-	-	-	-	-	-	-
INEG	-	-	9 000 000	-	-	-	-	-	-	-	-	-
EPWP	-	1 479 000	2 662 000	1 776 000	-	-	-	-	-	-	-	-
MDRG	-	20 000 000	-	-	-	-	-	-	-	-	-	-
WSIG	-	-	21 048 000	48 144 000	-	-	-	-	-	-	-	-
LG SETA	-	-	-	-	-	-	-	-	-	-	-	-
	271 152 000	68 514 000	257 002 000	212 034 000	-	-	-	-	-	-	-	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

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for the year ended 30 June 2017

Surplus/(Deficit) for the year

Appendix G2 - Unaudited

2016/2015

100

Appendix G3 - Unaudited Budgeted Financial Performance (revenue and expenditure) for the year ended 30 June 2017

2017/2016

2016/2015

	Original Budget		Budget Adjustments (i.e. s28 and s31 of the MFMA)		Final adjustments budget (i.e. Council approved policy)		Shifting of funds (i.e. MFMA)		Virement (i.e. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Adjustments		Actual Outcome as % of Final Budget		Reported unauthorised expenditure		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Restated Audited Outcome	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		
Revenue By Source																												
Property rates	117 928 960	-	-	-	-	-	-	-	-	-	-	117 928 960	-	105 560 428	-	-	(12 368 534)	-	90 %	-	-	-	-	-	-	107 043 056	-	
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	DIVD %	-	-	-	-	-	-	-	-	
Service charges - electricity revenue	86 410 944	6 422 448	6 422 448	6 422 448	6 422 448	6 422 448	6 422 448	6 422 448	92 833 392	89 927 916	89 927 916	89 927 916	89 927 916	89 927 916	(2 905 478)	97 %	97 %	104 %	-	-	-	-	-	-	-	78 904 421	-	
Service charges - water revenue	18 394 014	2 084 355	2 084 355	2 084 355	2 084 355	2 084 355	2 084 355	2 084 355	20 488 369	20 140 795	20 140 795	20 140 795	20 140 795	20 140 795	(347 573)	98 %	100 %	103 %	-	-	-	-	-	-	-	18 296 225	-	
Service charges - sanitation revenue	4 581 021	(33 078)	(33 078)	(33 078)	(33 078)	(33 078)	(33 078)	(33 078)	4 547 943	4 551 484	4 551 484	4 551 484	4 551 484	4 551 484	3 541	100 %	100 %	99 %	-	-	-	-	-	-	-	4 264 264	-	
Service charges - refuse revenue	7 179 893	(466 454)	(466 454)	(466 454)	(466 454)	(466 454)	(466 454)	(466 454)	6 714 439	6 895 977	6 895 977	6 895 977	6 895 977	6 895 977	(18 462)	100 %	100 %	93 %	-	-	-	-	-	-	-	5 878 133	-	
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	DIVD %	-	-	-	-	-	-	-	-	-	
Rental of facilities and equipment	8 475 359	(2 022 870)	(2 022 870)	(2 022 870)	(2 022 870)	(2 022 870)	(2 022 870)	(2 022 870)	6 452 489	3 646 374	3 646 374	3 646 374	3 646 374	3 646 374	(2 806 125)	87 %	57 %	43 %	-	-	-	-	-	-	-	5 788 012	-	
Interest earned - external investments	4 310 174	1 248 214	1 248 214	1 248 214	1 248 214	1 248 214	1 248 214	1 248 214	5 558 388	10 855 076	10 855 076	10 855 076	10 855 076	10 855 076	5 296 687	195 %	252 %	252 %	-	-	-	-	-	-	-	7 002 552	-	
Interest earned - outstanding debtors	4 920 739	4 516 633	4 516 633	4 516 633	4 516 633	4 516 633	4 516 633	4 516 633	9 437 372	11 428 648	11 428 648	11 428 648	11 428 648	11 428 648	1 991 278	121 %	232 %	232 %	-	-	-	-	-	-	-	7 186 530	-	
Dividends received	5 943 739	299 466	299 466	299 466	299 466	299 466	299 466	299 466	6 243 285	23 328 917	23 328 917	23 328 917	23 328 917	23 328 917	17 095 632	374 %	374 %	362 %	-	-	-	-	-	-	-	36 555 216	-	
Fines	24 043	(21 080)	(21 080)	(21 080)	(21 080)	(21 080)	(21 080)	(21 080)	2 965	13 794	13 794	13 794	13 794	13 794	10 829	465 %	210 %	86 %	-	-	-	-	-	-	-	5 675	-	
Licences and permits	15 653 679	(9 268 351)	(9 268 351)	(9 268 351)	(9 268 351)	(9 268 351)	(9 268 351)	(9 268 351)	6 427 328	13 514 315	13 514 315	13 514 315	13 514 315	13 514 315	7 086 987	210 %	101 %	86 %	-	-	-	-	-	-	-	8 407 177	-	
Agency services	460 207 185	(1 675 785)	(1 675 785)	(1 675 785)	(1 675 785)	(1 675 785)	(1 675 785)	(1 675 785)	458 531 380	464 191 082	464 191 082	464 191 082	464 191 082	464 191 082	5 559 702	101 %	101 %	101 %	-	-	-	-	-	-	-	437 255 108	-	
Transfers recognised - operational	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other revenue	8 060 038	2 148 329	2 148 329	2 148 329	2 148 329	2 148 329	2 148 329	2 148 329	11 208 367	14 159 718	14 159 718	14 159 718	14 159 718	14 159 718	2 951 351	128 %	128 %	158 %	-	-	-	-	-	-	-	34 772 038	-	
Gains on disposal of PPE	-	-	-	-	-	-	-	-	1	1	1	1	1	1	(1)	-	-	-	-	-	-	-	-	-	-	(349 869)	-	
Total Revenue (excluding capital transfers and contributions)	743 129 841	3 244 847	3 244 847	3 244 847	3 244 847	3 244 847	3 244 847	3 244 847	746 374 688	766 014 522	766 014 522	766 014 522	766 014 522	766 014 522	21 639 834	103 %	103 %	103 %	-	-	-	-	-	-	-	748 908 639	-	
Expenditure By Type																												
Employee related costs	287 455 314	6 953 853	6 953 853	6 953 853	6 953 853	6 953 853	6 953 853	6 953 853	294 409 167	308 920 199	308 920 199	308 920 199	308 920 199	308 920 199	41 766 262	105 %	105 %	107 %	-	-	-	-	-	-	-	293 525 483	-	
Remuneration of councillors	24 298 639	5 456	5 456	5 456	5 456	5 456	5 456	5 456	24 304 095	22 964 859	22 964 859	22 964 859	22 964 859	22 964 859	1 170 461	94 %	94 %	95 %	-	-	-	-	-	-	-	21 329 483	-	
Debt impairment	18 653 753	-	-	-	-	-	-	-	18 653 753	73 828 891	73 828 891	73 828 891	73 828 891	73 828 891	6 775 711	390 %	390 %	390 %	-	-	-	-	-	-	-	41 667 153	-	
Depreciation & asset impairment	68 067 808	-	-	-	-	-	-	-	68 067 808	79 830 653	79 830 653	79 830 653	79 830 653	79 830 653	(12 966 634)	116 %	116 %	116 %	-	-	-	-	-	-	-	63 700 532	-	
Finance charges	469 251	229 031	229 031	229 031	229 031	229 031	229 031	229 031	698 282	7 005 377	7 005 377	7 005 377	7 005 377	7 005 377	2 741 618	1 003 %	1 483 %	1 483 %	-	-	-	-	-	-	-	8 349 467	-	
Bulk purchases	88 048 004	(30 628)	(30 628)	(30 628)	(30 628)	(30 628)	(30 628)	(30 628)	88 048 004	79 284 753	79 284 753	79 284 753	79 284 753	79 284 753	(8 753 251)	90 %	90 %	90 %	-	-	-	-	-	-	-	84 652 027	-	
Other materials	2 369 029	30 707 778	30 707 778	30 707 778	30 707 778	30 707 778	30 707 778	30 707 778	2 338 401	1 592 932	1 592 932	1 592 932	1 592 932	1 592 932	(680 677)	65 %	67 %	67 %	-	-	-	-	-	-	-	1 534 708	-	
Contracted services	33 221 188	20 000	20 000	20 000	20 000	20 000	20 000	20 000	63 928 966	35 601 165	35 601 165	35 601 165	35 601 165	35 601 165	(28 327 801)	55 %	55 %	107 %	-	-	-	-	-	-	-	77 764 680	-	
Transfers and grants	234 825	-	-	-	-	-	-	-	254 625	16 817 514	16 817 514	16 817 514	16 817 514	16 817 514	16 562 889	6 605 %	7 168 %	7 168 %	-	-	-	-	-	-	-	310 949	-	
Other expenditure	185 844 838	(2 925 081)	(2 925 081)	(2 925 081)	(2 925 081)	(2 925 081)	(2 925 081)	(2 925 081)	182 919 757	243 342 896	243 342 896	243 342 896	243 342 896	243 342 896	44 544 086	133 %	133 %	131 %	-	-	-	-	-	-	-	165 466 770	-	
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	1 251 703	1 251 703	1 251 703	1 251 703	1 251 703	1 251 703	DIVD %	DIVD %	DIVD %	-	-	-	-	-	-	-	2 311 110	-	
Total Expenditure	709 944 449	34 960 409	34 960 409	34 960 409	34 960 409	34 960 409	34 960 409	34 960 409	744 904 868	870 481 942	870 481 942	870 481 942	870 481 942	870 481 942	126 546 184	117 %	117 %	123 %	-	-	-	-	-	-	-	760 632 352	-	
Surplus/(Deficit)	33 185 392	(31 715 562)	(31 715 562)	(31 715 562)	(31 715 562)	(31 715 562)	(31 715 562)	(31 715 562)	1 469 830	(102 466 520)	(102 466 520)	(102 466 520)	(102 466 520)	(102 466 520)	(103 906 350)	(6 969)%	(309)%	(309)%	-	-	-	-	-	-	-	(11 723 723)	-	
Transfers recognised - capital	324 570 835	66 460 970	66 460 970	66 460 970	66 460 970	66 460 970	66 460 970	66 460 970	393 031 805	363 827 615	363 827 615	363 827 615	363 827 615	363 827 615	(29 204 189)	93 %	93 %	112 %	-	-	-	-	-	-	-	300 579 902	-	
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	DIVD %	DIVD %	DIVD %	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	DIVD %	DIVD %	DIVD %	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	357 756 227	36 746 409	36 746 409	36 746 409	36 746 409	36 746 409	36 746 409	36 746 409	394 601 635	261 391 086	261 391 086	261 391 086	261 391 086	261 391 086	(133 110 639)	66 %	66 %	73 %	-	-	-	-	-	-	-	288 856 179	-	
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	DIVD %	DIVD %	DIVD %	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after taxation	357 756 227	36 746 409	36 746 409	36 746 409	36 746 409	36 746 409	36 746 409	36 746 409	394 601 635	261 391 086	261 391 086	261 391 086	261 391 086	261 391 086	(133 110 639)	66 %	66 %	73 %	-	-	-	-	-	-	-	288 856 179	-	

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**Appendix G3 - Unaudited
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2017**

2017/2016															2016/2015															
Original Budget			Budget Adjustments (L.O. 528 and 531 of the MFMA)		Final adjustments budget		Shifting of funds (L.O. 531 of the MFMA)		Virement (L.O. Council approved policy)		Final Budget		Actual Outcomes		Unauthorised expenditure		Variance of Actual Outcome against Adjustments		Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget		Reported unauthorised expenditure		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Restated Audited Outcome	
Rand			Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Attributable to municipalities																														
Surplus/(Deficit) attributable to municipality			357 755 227		35 745 408		394 501 635				394 501 635		261 351 096				(133 110 539)		66 %		73 %								288 856 179	
Share of surplus/ (deficit) of associate																														
Surplus/(Deficit) for the year			357 755 227		35 745 408		394 501 635				394 501 635		261 351 096				(133 110 539)		66 %		73 %								288 856 179	

Attributable to minorities

Surplus/(deficit) attributable to municipality

Share of surplus/ (deficit) of associate

Surplus/(deficit) for the year

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Appendix G4 - Unaudited

Budgeted Capital Expenditure by

for the year ended 30 June 2017

2017/2016

Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)		Final adjustments budget		Shifting of funds (i.e. s31 of the MFMA)		Virement (i.e. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Budget		Actual Outcome as % of Original Budget		Reported unauthorised expenditure section 32 of MFMA		Balance to be recovered		Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Capital expenditure - Vote Multi-year expenditure																							
Vote 2 - Budget & Treasury Office																							
31 465 442	(5 760 231)	25 705 211	-	-	-	-	-	-	25 705 211	33 133	33 133	33 133	(431 086)	-	-	33 133	DIVD %	DIVD %	-	-	-	-	9 819 490
261 185 352	(3 188 800)	257 996 592	-	-	-	-	-	-	257 996 592	185 763 052	185 763 052	(72 233 540)	(72 233 540)	-	-	(72 233 540)	72 %	71 %	-	-	-	-	223 533 178
292 651 834	(8 949 031)	283 702 803	-	-	-	-	-	-	283 702 803	211 071 310	211 071 310	(72 631 491)	(72 631 493)	-	-	(72 631 493)	74 %	72 %	-	-	-	-	233 351 669
Capital multi-year expenditure sub-total																							
Single-year expenditure																							
Vote 1 - Executive & Council																							
1 000 000	-	1 000 000	-	-	-	-	-	-	1 000 000	1 760 483	1 760 483	760 483	760 483	-	-	760 483	176 %	176 %	-	-	-	-	1 900 352
210 000	-	210 000	-	-	-	-	-	-	210 000	7 089 778	7 089 778	7 089 778	7 089 778	-	-	7 089 778	3 476 %	3 476 %	-	-	-	-	1 473 083
3 406 000	-	3 406 000	-	-	-	-	-	-	3 406 000	2 018 734	2 018 734	(1 387 265)	(1 387 265)	-	-	(1 387 265)	59 %	59 %	-	-	-	-	2 670 653
4 865 000	-	4 865 000	-	-	-	-	-	-	4 865 000	963 531	963 531	(3 701 469)	(3 701 469)	-	-	(3 701 469)	21 %	21 %	-	-	-	-	29 817 708
9 043 000	-	9 043 000	-	-	-	-	-	-	9 043 000	4 884 085	4 884 085	(4 158 915)	(4 158 915)	-	-	(4 158 915)	54 %	54 %	-	-	-	-	68 966 022
43 429 000	-	43 429 000	-	-	-	-	-	-	43 429 000	26 182 648	26 182 648	(17 246 352)	(17 246 352)	-	-	(17 246 352)	35 %	35 %	-	-	-	-	233 351 669
81 763 000	30 602 223	112 365 223	-	-	-	-	-	-	112 365 223	43 109 260	43 109 260	(69 255 963)	(69 255 963)	-	-	(69 255 963)	47 %	70 %	-	-	-	-	466 703 338
Capital single-year expenditure sub-total																							
354 404 834	21 653 192	376 058 026	-	-	-	-	-	-	376 058 026	254 180 570	254 180 570	(121 877 456)	(121 877 456)	-	-	(121 877 456)	68 %	72 %	-	-	-	-	335 998 486
Total Capital Expenditure - Vote																							
Capital Expenditure - Standard																							
Governance and administration																							
4 616 000	-	4 616 000	-	-	-	-	-	-	4 616 000	11 112 128	11 112 128	(6 555 831)	(6 555 831)	-	-	(6 555 831)	241 %	241 %	-	-	-	-	3 373 435
1 000 000	-	1 000 000	-	-	-	-	-	-	1 000 000	1 760 483	1 760 483	760 483	760 483	-	-	760 483	176 %	176 %	-	-	-	-	1 900 352
210 000	-	210 000	-	-	-	-	-	-	210 000	7 089 778	7 089 778	(1 387 265)	(1 387 265)	-	-	(1 387 265)	3 482 %	3 482 %	-	-	-	-	2 670 653
3 406 000	-	3 406 000	-	-	-	-	-	-	3 406 000	2 018 734	2 018 734	(1 387 265)	(1 387 265)	-	-	(1 387 265)	59 %	59 %	-	-	-	-	376 027
2 800 000	-	2 800 000	-	-	-	-	-	-	2 800 000	1 945 732	1 945 732	(854 268)	(854 268)	-	-	(854 268)	69 %	69 %	-	-	-	-	376 027
2 800 000	-	2 800 000	-	-	-	-	-	-	2 800 000	1 945 732	1 945 732	(854 268)	(854 268)	-	-	(854 268)	69 %	69 %	-	-	-	-	376 027
86 179 975	38 330 337	124 510 252	-	-	-	-	-	-	124 510 252	87 513 136	87 513 136	(36 997 115)	(36 997 116)	-	-	(36 997 116)	70 %	102 %	-	-	-	-	122 841 992
Economic and environmental services																							
32 274 442	4 087 341	36 361 783	-	-	-	-	-	-	36 361 783	28 050 279	28 050 279	7 311 504	(7 311 504)	-	-	(7 311 504)	80 %	90 %	-	-	-	-	37 141 414
52 825 473	34 242 996	87 068 469	-	-	-	-	-	-	87 068 469	58 189 546	58 189 546	28 882 923	(28 882 923)	-	-	(28 882 923)	67 %	110 %	-	-	-	-	83 510 184
1 080 000	-	1 080 000	-	-	-	-	-	-	1 080 000	277 311	277 311	802 689	(802 689)	-	-	(802 689)	26 %	26 %	-	-	-	-	2 190 374
269 808 918	(16 677 146)	244 131 773	-	-	-	-	-	-	244 131 773	153 809 614	153 809 614	90 522 268	(90 522 269)	-	-	(90 522 269)	63 %	98 %	-	-	-	-	209 408 942
18 615 000	4 423 633	23 038 633	-	-	-	-	-	-	23 038 633	13 419 693	13 419 693	9 619 030	(9 619 030)	-	-	(9 619 030)	58 %	72 %	-	-	-	-	14 310 172
204 488 919	17 219 486	221 713 414	-	-	-	-	-	-	221 713 414	139 481 693	139 481 693	82 231 721	(82 231 721)	-	-	(82 231 721)	68 %	68 %	-	-	-	-	192 769 686
30 800 000	(34 474 113)	(3 674 113)	-	-	-	-	-	-	(3 674 113)	708 218	708 218	(4 382 331)	(4 382 331)	-	-	(4 382 331)	(19) %	2 %	-	-	-	-	2 328 184
6 900 000	(3 846 181)	3 053 839	-	-	-	-	-	-	3 053 839	-	-	3 053 839	(3 053 839)	-	-	(3 053 839)	-	-	-	-	-	-	335 998 486
354 404 834	21 653 191	376 058 025	-	-	-	-	-	-	376 058 025	254 180 570	254 180 570	121 877 939	(121 877 455)	-	-	(121 877 455)	68 %	72 %	-	-	-	-	335 998 486
Total Capital Expenditure - Standard																							
Funded by:																							
National Government																							
324 570 835	21 553 191	346 124 026	-	-	-	-	-	-	346 124 026	229 805 221	229 805 221	(116 318 805)	(116 318 805)	-	-	(116 318 805)	68 %	71 %	-	-	-	-	317 121 291
324 570 835	21 553 191	346 124 026	-	-	-	-	-	-	346 124 026	229 805 221	229 805 221	(116 318 805)	(116 318 805)	-	-	(116 318 805)	66 %	71 %	-	-	-	-	317 121 291
29 634 000	100 000	29 934 000	-	-	-	-	-	-	29 934 000	22 619 586	22 619 586	1 555 763	(7 114 141)	-	-	(7 114 141)	76 %	76 %	-	-	-	-	18 878 189
354 404 835	21 653 191	376 058 026	-	-	-	-	-	-	376 058 026	254 180 570	254 180 570	(121 877 456)	(121 877 456)	-	-	(121 877 456)	68 %	72 %	-	-	-	-	335 999 486
Total Capital Funding																							

2300

**Appendix G4 - Unaudited
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2017**

2017/2016										2016/2015				
Original Budget	Budget Adjustments (L.O. 22 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (L.O. s31 of the MFMA)	Virement (L.O. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Budget Rand	Rand	Rand	Rand	Rand	Rand	Rand

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**Appendix G5 - Unaudited
Budgeted Cash Flows
for the year ended 30 June 2017**

2017/2016 **2016**

	Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Revised Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Ratepayers and other Government - operating	204 877 768	23 887 229	228 565 017	228 565 017	313 342 680	84 777 633	137 %	155 %	283 548 203
Government - capital	466 207 185	(1 675 785)	458 531 380	458 531 380	464 191 082	5 659 702	101 %	101 %	458 963 009
Interest	324 570 835	68 460 970	393 031 805	393 031 805	363 827 616	(29 204 189)	92 %	112 %	300 579 802
Suppliers and employees	7 064 613	5 505 300	12 569 913	12 569 913	10 865 075	(1 704 838)	86 %	153 %	7 002 882
Finance charges	(621 237 012)	(94 299 329)	(715 536 341)	(715 536 341)	(838 451 500)	(122 915 159)	117 %	135 %	(654 691 692)
Transfers and Grants	(469 251)	(228 031)	(698 282)	(698 282)	(7 005 377)	(6 307 095)	1 003 %	1 493 %	(6 387 914)
	(234 625)	(20 000)	(254 625)	(254 625)	(16 817 514)	(16 562 889)	6 605 %	7 188 %	(310 850)
Net cash flow from/used operating activities	374 789 613	1 428 354	376 228 867	376 228 867	289 542 032	(86 686 835)	77 %	77 %	386 721 360
Cash flow from investing activities									
Proceeds on disposal of PPE	1	-	1	1	17 054 755	17 054 755	17 054 755 600 %	705 475 600 %	1 976 205
Decrease (increase) other non-current receivables	1	-	1	1	(1 946 039)	(1 946 040)	(1 946 040) %	(194 803 800) %	(4 778 733)
Capital assets	(354 404 835)	(21 653 192)	(376 058 027)	(376 058 027)	(254 714 348)	121 343 679	68 %	72 %	(335 989 491)
Net cash flow from/used investing activities	(364 404 833)	(21 653 192)	(376 058 025)	(376 058 025)	(238 667 631)	136 450 394	64 %	68 %	(344 312 646)
Cash flow from financing activities									
Repayment of borrowing	(281 257)	(218 469)	(509 766)	(509 766)	5 764 014	5 764 014	(1 031) %	(1 804) %	(954 057)
Net cash flow from/used financing activities	(281 257)	(218 469)	(509 766)	(509 766)	5 764 014	5 764 014	(1 031) %	(1 804) %	(954 057)
Net increase(decrease) in cash held Cash/cash equivalents at the year begin:	20 103 383	(20 442 307)	(338 924)	(338 924)	53 586 649	55 927 573	(16 402) %	277 %	21 464 648
Cash/cash equivalents at the year end:	20 103 383	(20 442 307)	(338 924)	(338 924)	120 668 260	55 927 573	(35 603) %	600 %	68 079 610

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CHAPTER 6: MPAC OVERSIGHT REPORT

(To be finalise within two months after the tabling of the annual report to council)